NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS

Congressional Information Service,
Washington, D.C

S. Hrg. 10[illegible], Pt. 5

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

S. 2355

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1989 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 5
MANPOWER AND PERSONNEL

MARCH 17, 24, 29, 1988

Printed for the use of the Committee on Armed Services

U.S. GOVERNMENT PRINTING OFFICE
87-306 WASHINGTON : 1988

S201-24

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

87-306 O - 88 - 1

COMMITTEE ON ARMED SERVICES

SAM NUNN, Georgia, *Chairman*

JOHN C. STENNIS, Mississippi
J. JAMES EXON, Nebraska
CARL LEVIN, Michigan
EDWARD M. KENNEDY, Massachusetts
JEFF BINGAMAN, New Mexico
ALAN J. DIXON, Illinois
JOHN GLENN, Ohio
ALBERT GORE, Jr., Tennessee
TIMOTHY E. WIRTH, Colorado
RICHARD C. SHELBY, Alabama

JOHN W. WARNER, Virginia
STROM THURMOND, South Carolina
GORDON J. HUMPHREY, New Hampshire
WILLIAM S. COHEN, Maine
DAN QUAYLE, Indiana
PETE WILSON, California
PHIL GRAMM, Texas
STEVEN D. SYMMS, Idaho
JOHN McCAIN, Arizona

Arnold L. Punaro, *Staff Director*
Carl M. Smith, *Staff Director for the Minority*
Jeffrey H. Smith, *General Counsel*
Christine Cowart Dauth, *Chief Clerk*

Subcommittee on Manpower and Personnel

JOHN GLENN, Ohio, *Chairman*

J. JAMES EXON, Nebraska
EDWARD M. KENNEDY, Massachusetts
RICHARD C. SHELBY, Alabama

PETE WILSON, California
STEVEN D. SYMMS, Idaho
JOHN McCAIN, Arizona

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

MANPOWER REQUIREMENTS FOR THE TOTAL FORCE

MARCH 17, 1988

Page

Green, Hon. Grant, Assistant Secretary of Defense for Force Management and Personnel 7
Ono, Lt. Gen. Allen K., USA, Deputy Chief of Staff for Personnel 33
Edney, Adm. Leon A., U.S. Navy, Chief of Naval Personnel 49
Dillingham, Gen. Larry D., U.S. Air Force, Deputy Chief of Staff for Personnel 51
Hudson, Lt. Gen. John I., U.S. Marine Corps, Deputy Chief of Staff for Manpower 53

RECRUITING, RETENTION, AND COMPENSATION

MARCH 24, 1988

Green, Hon. Grant S., Assistant Secretary of Defense for Force Management and Personnel, accompanied by Lt. Gen. Allen K. Ono, USA, Deputy Chief of Staff for Personnel; Vice Adm. Leon A. Edney, USN, Chief of Naval Personnel; Lt. Gen. John I. Hudson, USMC, Deputy Chief of Staff for Personnel; and Lt. Gen. Thomas J. Hickey, USAF, Deputy Chief of Staff for Personnel 97
Duncan, Stephen M., Assistant Secretary of Defense for Reserve Affairs, accompanied by Lt. Gen. Herbert R. Temple, Jr., ARNGUS, Chief, National Guard Bureau; Maj. Gen. William F. Ward, Jr., USAR, Chief, Office of Reserve; Maj. Gen. Donald Burdick, ARNGUS, Director, Army National Guard; Rear Adm. F.N. Smith, USNR, Chief, Naval Reserve; Maj. Gen. J.W. Moore, USMC, Deputy Chief of Staff, Reserve Affairs; Maj. Gen. John B. Conaway, ANG, Director, Air National Guard; Maj. Gen. Roger P. Scheer, USAFR, Chief of Air Force Reserve; and Rear Adm. Paul A. Welling, USCG, Chief, Office of Readiness and Reserve 296

MILITARY MEDICAL SYSTEM

MARCH 29, 1988

Mayer, Dr. William, Assistant Secretary of Defense (Health Affairs), Department of Defense 505
Chesney, Lt. Gen. Murphy A., Surgeon General of the Air Force 519
Zimble, Vice Adm. James A., Surgeon General of the Navy 533
Becker, Lt. Gen. Quinn H., U.S. Army, Surgeon General of the Army 559
Index ..... (i)

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, MARCH 17, 1988

U.S. SENATE,
MANPOWER AND PERSONNEL SUBCOMMITTEE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MANPOWER REQUIREMENTS FOR THE TOTAL FORCE

The subcommittee met in open session, pursuant to notice, at 9:30 a.m., Senator John Glenn (chairman) presiding.

Present: Senators Glenn, Wilson, and McCain.

Staff present: Patrick A. Tucker, minority counsel; David S. Lyles, Frederick F.Y. Pang, and Patricia L. Watson, professional staff members; Debra A. Rice, staff assistant.

Also present: Phillip P. Upschulte, assistant to Senator Glenn; Jeffrey B. Subko, assistant to Senator Exon; William J. Wight, assistant to Senator Warner; Samuel J. Routson, assistant to Senator Symms; and Anthony H. Cordesman, assistant to Senator McCain.

OPENING STATEMENT OF SENATOR JOHN GLENN, CHAIRMAN

Senator GLENN. I call the committee to order.

Before we proceed with the hearing this morning, I just want to take a minute to note the attendance with us this morning of a Congressional Medal of Honor recipient Capt. Thomas Kelley of the Navy, who is here today in support of Admiral Edney. Captain Kelley is a native of Boston. He entered the Navy through the OCS program after graduation from Holy Cross.

He served as commander, River Assault Division 152, in Vietnam. On June 15, 1969, when then Lieutenant Kelley, he was in charge of a column of eight river assault crafts which were extracting a company of Army infantry troops from an overrun position.

In the heat of that battle Lieutenant Kelley, at the risk of his own life, maneuvered his craft to the exposed side of a protective cordon that he had formed. In direct line of the enemy's fire, he ordered his craft to fire on the enemy in order to cover the evacuation. His boat took direct hits, resulting in serious injury to him, and he continued to lead his men until the enemy was silenced.

After recovery from his injuries, Captain Kelley served on various destroyers and commanded the U.S.S. *Land* and the Military Sealift Command Far East. He is now assigned as Special Assistant for Legislative Coordination on Vice Admiral Edney's staff.

Captain Kelley, any time I am around anybody that got the Congressional, I try to take note of that. Would you please stand and be recognized. [Applause.]

The Subcommittee on Manpower and Personnel meets this morning to begin the first of three hearings on the manpower portion of the revised Department of Defense budget authorization request for fiscal year 1989. Today's hearing will focus on the manpower requirements of the armed services.

The next hearing, which is scheduled for the 24th of March, will focus on recruiting, retention, and compensation. And the third hearing, which is scheduled for the 29th of March, will focus on wartime and peacetime medical programs. That is the hearing we have talked a lot about in the last couple of years. It comes closer to being a war-stopper, I think, than anything else we have in this whole personnel area, that is the medical situation we find ourselves in.

On April 13, we will have a joint hearing with the Readiness Subcommittee regarding Army combat support and combat service support.

Last year, the Congress authorized a 2-year budget for the Department of Defense. The manpower portion authorized Active and Reserve force strength levels for each of the military services for fiscal year 1988 and 1989. For the Active force, Congress authorized military strength for fiscal year 1988 at the levels requested by the President.

This provided the Navy an increase of 6,200, and the Army an increase of 100 from the fiscal year 1987 levels. For the Reserve forces, the Congress authorized an increase in Selected Reserve strength of 19,800 or 60 percent of the increase requested by the President for fiscal year 1988. Included in this increase was an increase of 2,500 full-time personnel.

The Congress felt that the Reserve forces needed to correct individual skill qualification problems, reported as the second most critical factor limiting readiness in the Reserve forces, before adding much more to the manpower inventory of the Selected Reserve.

For fiscal year 1989, the Congress authorized Active and Reserve force strengths at the same level it authorized for fiscal year 1988. The Congress did this in anticipation that a budget summit agreement, which none of us particularly liked but we went through and are saddled with anyway, the budget summit agreement in all likelihood would require the Department of Defense to develop adjusted strength levels for fiscal year 1989.

I know that the revised strength levels for fiscal year 1989 are the result of some very difficult choices that DOD has had to make in coming down to the $299.5 billion defense budget level agreed to by that budget summit. And I do want to address these adjustments in some detail later on in the hearing, because I believe we need to assure ourselves that the reduced levels requested are in fact the levels necessary to adequately sustain the programmed force structure in each of the military services.

Because of the compressed time frame in which the Department of Defense had to develop its revised budget for fiscal year 1989, much of the documentation that would normally accompany a budget submission is not yet available. For example, we have not yet received the Defense Manpower Requirements Report, which we would use to help us evaluate the strength levels requested.

I make this point because I believe it is important for you to know that we will be relying heavily on the testimony we receive today to guide us in our markup of the budget authorization request.

I want to recognize the witnesses this morning. The subcommittee welcomes Mr. Grant Green, the Assistant Secretary of Defense for Force Management and Personnel. It is Mr. Green's first appearance before the subcommittee. Mr. Green was appointed to his position on February 8, 1988. I had the privilege of chairing his confirmation hearing at the full committee level.

During that hearing and in subsequent meetings I have had with Mr. Green, I have been impressed with his positive and cooperative attitude in getting things done.

Mr. Green, we look forward to your testimony this morning.

Accompanying Mr. Green are military personnel representatives from each of the services: Lt. Gen. Allen Ono, Deputy Chief of Staff for Personnel for the Army; Vice Adm. Leon A. Edney, Chief of Naval Personnel; Lt. Gen. John Hudson, Deputy Chief of Staff for Personnel of the Marine Corps; Maj. Gen. Larry Dillingham, Assistant Deputy Chief of Personnel of the Air Force.

Gentlemen, the Subcommittee on Manpower and Personnel welcomes you and looks forward to your testimony this morning.

Before we have opening statements from all witnesses, I want to say just a few words about the first issue we will address. That is our favorite subject these days, and over the last year or so, of officer strength reductions that are mandated in statute for fiscal years 1989 and 1990, of 2 percent each year. The Department of Defense has requested the Congress to repeal this statute.

For just a little bit of background, the subcommittee and I personally became very concerned about the disproportionate growth in officer strength from 1980 to 1985. Over that period, officer strength in the military services grew at a rate of one officer to every 2.2 enlisted personnel added to the inventory.

Our normal ratios have been somewhere around 1:6.5 to 1:7 as officer to enlisted ratios. So this was quite a change and when we came across it, and also because the Department of Defense was unable to justify this lopsided growth in officers in this time period, we mandated a 6-percent cut in officer end strength from the fiscal year 1986 level, that would restore it to about the usual traditional ratios. That cut was to be spread out over 3 years: 1 percent in fiscal 1987, 2 percent in fiscal 1988, and 3 percent in 1989.

And I must say here, when we tried to get information on this, looking back on it, I believe even the service Chiefs agreed that we got stonewalled over here. So we dug in our heels and insisted on getting better information and better justification for why these increases occurred.

We had a few harsh words back and forth and a lot of meetings and a lot of consideration of this whole issue in the past; I guess it has been almost 3 years since we started on this.

And one of the things that was very disturbing was that the figures we were given to justify this, were given apparently hoping that the whole problem would go away. These figures turned out to be very unreliable in some cases and I would say almost bordered on being fictitious in some other cases.

Now, that is a pretty harsh charge, but I think in retrospect that is exactly what happened. But we have been making a lot of progress in this area, though and I do not want to indicate that all is lost on this or that we have not made considerable progress. We have.

Last year, after taking the 1 percent cut in fiscal year 1987, the military services put on a full court press for a repeal of the remaining 2 percent and 3 percent reductions. However, because last year they were unable to present any analytically compelling justification for the lopsided officer growth, Congress took no action to repeal the reductions.

In order to give the Department of Defense another chance to make its case, the Congress gave the Secretary of Defense the authority to spread the reduction out so that the Department of Defense could take a 1 percent reduction in fiscal year 1988, a 2 percent reduction in each of the two succeeding fiscal years.

But the Congress also required the Department of Defense to submit a comprehensive report on officer requirements by March 1 of this year. The Secretary of Defense has exercised his authority to spread out the reduction and has submitted the required report.

I do believe the Department of Defense has made much progress in getting oversight responsibility over manpower requirements under control. We are not completely satisfied, but the report is much more substantial than the meager offering we had last year.

I might just indicate this was the report we got last year. I do not say that all reports should be judged on poundage or just by volume or number of pages, but this one is as last year's. This is the one for this year. Obviously there is a little more volume here, at least, and I trust the substantive material in there will be also indicated by the comparative sizes here, we hope, Mr. Green and all of you here this morning.

So I think we are making a lot of progress in this regard.

I also think the stonewall mentality in the Department of Defense has finally been breached, because for the first time since this debate started the Department of Defense has recognized its weaknesses in this area and is doing something about it, and so I am complimentary to you all in that regard.

I know the hard feelings on this and the very heartfelt feelings on this matter, including a meeting I had with the Joint Chiefs over at the tank in the Pentagon, where we went into this in considerable detail.

So Mr. Green, I believe you and other witnesses have submitted written statements for the record. We would hope that, if there is no objection, those would be included in the record in their entirety, and we hope that you could summarize your statement, so we would ask other witnesses to do likewise.

Before we go on, we have been joined by our ranking minority member, Senator Wilson, and we will welcome any opening remarks he has.

Before turning to him, I want to say I appreciate the assistance of Senator Wilson on this subcommittee. He has done a lot of work on this, he and his staff. And I believe we have always approached defense manpower on a bipartisan basis.

He has not come in with a Republican viewpoint, me with a Democratic viewpoint, when he was chairman or during the time when I have been chairman of this subcommittee. There is no Democratic or Republican agenda. What we try to do is what is right for the defense of this country and what is right for the men and women in uniform that we call on to make sacrifices to maintain our freedom and that of our allies.

Senator Wilson, any comments you want to make?

Senator WILSON. Thank you, Mr. Chairman, and I thank you for your kind words. It has been a pleasure.

Mr. Chairman, during the past 3 years, as Congress continued to insist on reducing the defense budget in real terms, I have said that we would have to decide whether we wanted a smaller military force that was well paid and well trained or whether we wanted to continue to increase our force structure, while recognizing that it would be threatened with becoming hollow because of congressional unwillingness to pay for the people and their training.

But I did not say these things because I thought that the force structure that we had was too large. To the contrary, I believed that we needed that force structure and even more to meet the threat and the commitments that we have assumed throughout the world.

Nothing has happened anywhere in the world to suggest that we can now provide for our defense with 25,000 fewer people on active duty than we needed to do that job last year.

Rather, I made these comments because I felt that it was better for the United States to have a smaller military force if it was to have a fully manned, fully equipped, well trained, well paid fighting force than to continue to try to maintain a larger force inadequately when Congress was not willing to pay for it.

Congress' action on the continuing resolution last year finally brought this matter to a head. In the CR, the Congress essentially referred to provide sufficient funds to pay for the pay raise for military personnel authorized by this committee and by the full committee and authorized by law.

Additionally, Congress did not appropriate sufficient funds to pay for the GI bill and several other entitlements required by the law to be paid to military personnel. The refusal by Congress to appropriate the funds needed for that pay raise and other entitlements resulted in the Department of Defense manpower accounts being underfunded by almost $1 billion.

At the same time Congress refused to pay for people we had already on our force structure, Congress was able to appropriate in excess of $5 billion more than were requested for programs and projects within the defense budget. Therefore, Mr. Chairman, I have to say that, although I do not believe we should be reducing our force structure, I congratulate Secretary Carlucci and Assistant Secretary for Force Management, Secretary Green, for facing up to the fact that Congress would simply not pay for a larger force structure and for bringing us a request reducing that structure in a time when budget constraints compel us to choose the lesser of evils, to try to make a decision as to which are the less unwise options.

I reluctantly must concur with him that it is better that the troops that we have be smaller in number and that they be adequately trained, adequately compensated, and that they have sufficient equipment and training to be prepared and ready to go to war if in fact they must.

But I want the record to be clear: The request for reduced force structure in fiscal year 1989 is not the result of any determination that we no longer need the force structure that we had last year. The request for reduced force structure in fiscal year 1989 is not the result of the All Volunteer Force's failure to recruit and retain sufficent numbers of the highest quality personnel ever to serve in our armed services.

The decision of the Armed Forces to begin early separation of thousands of enlisted personnel and the plan to lay off thousands of civilians are not the result of a determination that those personnel are not needed. They are not the result of a determination that they are not required to perform the missions this Congress continues to ask the services to perform.

Mr. Chairman, we need our large force structure. The services could still recruit and retain all the volunteers we need to maintain that structure. Those volunteers would be very high quality personnel, and the thousands of enlisted personnel now being separated early and the civilian employees being laid off are still needed to perform military missions, important missions.

So Mr. Chairman, all of the difficult decisions that have been dictated have been dictated and driven by one fact, and that is that the Congress is not willing to pay for a robust, fully manned force structure.

Now that the administration has faced up to this fact and made the difficult decisions to reduce the size of our military forces, the subcommittee must ensure that the young men and women that continue to serve are properly paid, are properly trained, and are aware that we in Congress care about their welfare.

I think it imperative that we work together this year to obtain the authorization and appropriation funds sufficient to pay for the requested 4.3 percent pay raise, to retain the level of the variable housing allowance to that provided, and to overcome the mass exodus of experienced pilots from the Air Force and Navy.

If we did not prove by our actions this year that we truly care for the well-being and the quality of life of our military personnel, I fear that by next year it will be too late.

It would be an absolute disgrace if Congress sits by and watches while the finest military force this Nation perhaps has ever fielded deteriorates to conditions that existed in 1979. It would be all the more disgraceful because we in Congress know better, or at least should. We should have learned during the past several years how to avoid those conditions.

I think we have, and we have it in our power to prevent a repetition.

So, Mr. Chairman, I thank you for your leadership on the subcommittee. You have demonstrated your concern for the well-being and for the quality of life, the quality of life of our armed services. And I look forward to working with you again this year.

I know that you have an intense concern, and I share that concern. I only hope that we can impress on our colleagues the real need to prove this year that we really mean it when we say that the people are the invaluable ingredient and there comes a point past which you cannot cut without doing serious damage, not only to our readiness but to our credibility.

And having said that, Mr. Chairman, I am here to hear from the witnesses.

Senator **Glenn**. Thank you very much.

Secretary Green, go ahead with your statement. We will have the others in turn. And we would hope, rather than to read very long prepared statements, we will submit them for the record.

We assure you we will go through them in detail, and we hope you can summarize your statement so that we can have the most time for discussion this morning.

STATEMENT OF HON. GRANT GREEN, ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL

Mr. **Green**. Mr. Chairman, Senator Wilson, thank you for the opportunity to appear before you today. I appreciate your kind remarks concerning renewed cooperation. I hope we can live up to your expectations.

I also hope from this hearing that we may reach some agreement and find a common ground from which to manage our scarce resources. Together, we must enhance our national defense to the best use of our total force manpower, and at the same time meet the personal needs of our military and civilian members.

As Secretary Carlucci has stated repeatedly, people are our most important asset. The number one priority for the Department of Defense are budget proposals for the compensation and quality of life initiatives required to attract and retain the best people.

Through the partnership of the Department of Defense and the Congress, we have built a highly motivated military force made up of individuals of unprecedented quality, skill, and motivation. With your support of our manpower programs in this budget, we can continue this success.

As I look to the most important and difficult tasks that lie ahead, I see two jobs that we, working as partners in a bipartisan way, must accomplish: first, we must maintain the quality of our volunteer force in the face of declining budgets. To do this, we must provide adequate compensation and quality of life measures for our defense family.

Second, we must ensure that manpower matches the force structure requirements and fits within fiscal constraints.

In my prepared statement which you have been provided, I discuss how we can accomplish these tasks and briefly describe some of the challenges we face. These include determining manpower requirements, managing the force (including how to handle joint officers), compensating our personnel (including pay raises), special pays and bonuses, and dealing with some special issues, such as women in the military, our efforts in the war against drugs, and family issues.

Since we will discuss many of these areas when I come back here next week, I will limit my oral remarks today primarily to force management and manpower requirements issues.

First of all—end strength. In order to avoid the hollow force that you mentioned and maintain readiness while fully supporting our forces, DOD was required to cut force structure and manpower in our adjusted fiscal year 1989 budget request.

We currently plan for 2.1 million Active personnel, 1.2 million Selected Reserve forces, and 1.1 million civilians. Each of these numbers represent reductions from the levels we requested in the President's fiscal year 1988–1989 biannual request last year.

For fiscal year 1989, this is a total reduction of 109,000 personnel. Because of the speed at which the services had to adjust their budgets, not all the manpower reductions are yet identified with specific programs. That will occur during the development of the 1990 through 1994 POM.

The first specific area I would like to discuss briefly is the total force mix. As a result of some of the things we discovered during our efforts on the Officer Requirements Study, we are taking major steps to improve OSD oversight of the total requirements process for military personnel and for civilians.

Frank Carlucci has already instructed the services and my office to do certain things, such as institutionalize future manpower reviews based on the requirements study methodology, modify manpower management systems to align program budget categories with program execution, and align officer manning levels with the results of the study.

In the near term, OSD will more carefully examine the data requirements submitted during the budget development process. Further, we will look at the consistency that requirements have with the force structure and with OSD and service policy and the adequacy of justifications for growth based on such things as force structure, doctrine, emerging technology, joint activities, wartime shortfall, et cetera.

As a start, the fiscal year 1989 defense manpower requirements report will incorporate officer type analyses similar to that conducted during the Officer Requirements Study which you have just received.

For the longer term, we will institute a comprehensive approach that revises OSD manpower policy guidance, as well as POM preparation instructions and sets up service baseline files that clearly depict manpower in relation to force structure.

Providing a better oversight process is the Department's highest priority, and I intend to augment my staff to the point where they can exercise proper oversight.

During the next year, we intend to focus major attention on total force policies to ensure that we in OSD perform our job better and the services can accomplish their missions in an efficient, responsive, and effective way. I am aware of what DOD's role needs to be—that is to monitor progress and evaluate results.

For these reasons, I have undertaken a Total Force Initiative. I want OSD to fully understand and concur with the criteria used by each of the military services as they make their force mix decisions. In that regard, we will look at past decisions that were made in the mix of Active Reserve and civilian personnel.

This will include reviewing the processes and data used by the services when they made these decisions. In looking at how these decisions were—and are—made and adjusting where necessary, we can minimize some of the inconsistencies between what we have and what we need.

In the final analysis, I want to make sure that the manpower adjustments are closely linked to force structure and that our manpower requests meet our mission requirements and in the case of our civilian work force, funded work loads.

I have requested that the Office of the Joint Chiefs of Staff, the Military Services, and other OSD offices such as Health Affairs and Reserve Affairs cooperate with me on this effort.

The next area I want to cover briefly are general and flag officers. As you are aware, since 1982 we have submitted to the Congress legislation that would establish a permanent basis for determining GFO levels. Recognizing that we needed a better rationale basis on which to base our requests, we commissioned a group to validate all DOD general and flag officer requirements.

The study will be completed soon, followed by internal reviews of the joint staff and the services. We do not expect to request any change in the overall numbers of general flag officers until that review is completed.

That study, however, will provide to the Congress a zero-based validation of requirements for general and flag officers and a methodology and framework for the services to uniformly validate their requirements in the future. In addition, it will provide OSD the oversight methodology that it has long needed.

Defense agency manpower is next. Secretary Carlucci earlier this month directed Defense agencies and DOD field activities to reduce military and civilian end strengths, as required by the Reorganization Act of 1986. The services have moved out in their headquarters reduction and reorganizations as required by that act, and we predict that they will be pretty much completed by the end of fiscal year 1988.

Despite the conclusions, however, of five independent studies that Defense agencies were well run, performed essential missions, and in some cases needed more manpower, the Secretary was required by the law to reduce the affected agencies and activities by 5 percent from the fiscal year 1986 manpower level. This amounted to a reduction of about 5,000 people.

However, he has expressed serious misgivings to the Congress over the adverse impacts of these cuts on readiness levels. They are over and above the workload reductions already effected in the 1989 budget and therefore cut into operational muscle.

We have submitted legislative language which would forego any additional reductions in fiscal year 1989. I request your support of this proposal.

Finally, let me address what may be the most important subject today—that is officer reductions. In the conference report of the fiscal year 1988–1989 Defense Authorization Act, Congress directed that the Secretary of Defense report the results of a comprehensive officer requirements study. We submitted that report the first of this month.

Let me briefly summarize what we did in that study and then address our plans for fiscal year 1989. These are two separate and distinct efforts.

The foundation of officer requirements is the planning process that sizes the force structure. The study began with a review of each service's requirements development process. Each was found to be structurally sound, although execution and historical factors have sometimes mitigated against total compliance. As an example, capacity and hiring freezes sometimes caused requirements to be filled by officers when under different circumstances that might not have been the case.

To the extent that problems were identified in this review, they are more related to program execution and OSD oversight than with the service manpower requirements process, particularly at the organizational and unit levels.

The study found growth in the number of officers between fiscal year 1980 and fiscal year 1986 of 33.6 thousand. Of that, 25.9 thousand or 77 percent were validated against force structure changes, doctrine, new technology, and so forth.

In parallel with the study and as directed by the Congress, during fiscal years 1987 and 1988, DOD has already reduced, or is reducing, officer billets by 8,800. The total impact of that reduction exceeds the 7,733 non-validated growth reflected in the study by more than 1,000.

We request your support in repealing the remaining 4 percent reduction.

The second area I would like to discuss is what we have done and are planning to do in fiscal year 1988 that is consistent with ongoing force structure and end strength reductions. In executing 1989, reductions, which incidentally have been briefed to your staff, we have some problems. The difficulties center on the fact that there are three simultaneous and somewhat unconnected events going on that the services are trying to manage:

One is that we allocated a 1-percent reduction for fiscal year 1988. That was done in early January; second, the budget—force structure—end strength reductions for fiscal year 1989, which were accomplished over the December to January timeframe;

And finally, the Officer Requirements Study which essentially drove yet other reductions and was not available to the services until the end of February.

So what the services now need is time to integrate all of these various reductions into their 1990 POM.

Let me give you some examples of things the services are doing in fiscal year 1989. Again, remember this is separate from the requirements report that you have been provided. Through fiscal year 1988, the Air Force has taken 3,510 officers down. This more than meets the unvalidated officer positions in the requirements study.

In addition, the Air Force has identified a thousand more officers for conversion to civilians—500 in fiscal year 1989 and 500 in fiscal year 1990. In their fiscal year 1990 POM, they will also identify another 2,100 officers for programmatic reductions.

This totals 6,610 officers through fiscal year 1990, or a 6.1 percent reduction from the 1986 base.

In the case of the Army, the officer requirements study did not accept approximately 3,500 of their officer growth. In addition, the Army has identified with force structure reductions in fiscal year 1989 another 1,100 officers. Thus, the total required "target" that the Army is looking at is a 4,700 officer reduction.

Through 1988 they have cut 3,100. So in theory, they still owed 1,500. However, since the study was completed, the Army verified the addition of 600 officers to their divisional forces, the tightest part of the force structure. Now the net remaining officers they owe us is 900, and to satisfy this they have planned to take out 500 in 1989 and another 428 in fiscal year 1990. These are not conversions, these are actual takedowns.

The Navy is a little different situation. Here we have frozen their growth and, despite the fact that we found 631 non-valid officer growth in the Navy, they are still short over 1,300 officers. This freeze as you recall, was directed even though their ship growth in 1988 and 1989 was increasing. For the Navy, we were not requesting that officers be added at this time, but further reductions would certainly not be wise.

For the Marine Corps, the reduction from the 1986 base is 76 officers. The study found 46 that were not validated, but as you can see they have already taken in excess of that. The Commandant is still looking at force structure reductions and we need to let him finish that before we evaluate any further officer cuts in the Marine Corps.

In summary, from the 1986 baseline we have taken down or will soon take down more than 10,000 officers—reduction of 3.3 percent.

We feel that these reductions satisfy the recommendations in the study. Further, they accommodate the fiscal year 1989 force structure cuts and comply with the intent of Congress.

As I have mentioned, and consistent with all of these actions, the Secretary has directed the services to do several things:

To align the officer force with the study results; to address military-civilian conversions; to improve the match between budget actuals; and to take reductions in a balanced fashion, which is one thing I know this committee is certainly concerned with. Finally we will address further force structure changes in the summer DRB review.

The impact of any reductions beyond those we have already taken or identified for fiscal year 1989 and fiscal year 1990 will be to significantly reduce total force structure, readiness, capability, and sustainability. The loss of combat potential and its essential support base will far exceed in importance to national security the minimal dollar savings that might accrue over time.

There are other issues I have not discussed today that are just as important, particularly as they relate to attracting and retaining quality military and civilian force. While I understand that we will go more deeply into these areas when I come back on the 24th, I would like to mention them.

First is the 4.3 percent military pay raise. This will allow military compensation to fall no further behind private sector compensation.

Second, the 3.4 percent increase in variable housing allowance. This will keep military members from having to pay a larger share of their housing cost than they are currently paying.

Third, our bonus programs, including enlistment bonuses, pilot bonus, re-enlistment bonus, and special pays. These give DOD its most cost effective tool in manning particular skills.

Fourth, title 4 of the DOD Reorganization Act, Joint Officer Management. Here we need to modify certain provisions of the law so that we can realistically and sensibly manage our officer force.

Last, civilian personnel management, including the flexibility to reward quality performance. Changes here will allow us to improve the quality of this important part of our total force.

The Secretary has made some hard, painful decisions in arriving at this budget. It has taken a lot out of our hide, but it includes the funding of a fair and equitable compensation package and quality of life measures. It is now up to the Congress to help us follow through.

I pledge to work with you in a bipartisan way to show our people through our actions, not just through our words, that they are truly our number one priority.

Thank you.

[The prepared statement of Mr. Green follows:]

PREPARED STATEMENT BY
HONORABLE GRANT S. GREEN, JR.
ASSISTANT SECRETARY OF DEFENSE
FORCE MANAGEMENT AND PERSONNEL

INTRODUCTION

Mr. Chairman, distinguished members of the subcommittee, I want to thank you for the opportunity to appear before you. In discussing with you today several crucial manpower and personnel issues, I hope that we might find agreement and a common ground from which we can move forward in managing our scarce resources to -- first of all, enhance our national defense through the best use of our total force manpower, and second, meet the career and personal needs of our military and civilian personnel.

People are our most important asset. As Secretary Carlucci has stated, repeatedly, they are the number one priority, for the Department of Defense, and our budget proposes the compensation and quality of life initiatives required to attract and retain the best people.

Through the partnership of the Department of Defense and the Congress, we have built a highly motivated military force made up of individuals of unprecedented ability, skill and motivation. With your support of our manpower and personnel programs in this budget, we can continue this success.

As I look at the most important and difficult tasks that lie ahead, I see two jobs that we, working as partners, must accomplish.

First, we must maintain a quality volunteer force in the face of declining budgets. To do this, we must provide adequate compensation and quality of life measures for our Defense family.

Second, we must ensure that manpower matches force structure requirements and fits within fiscal constraints.

In the remainder of my statement, I would like to discuss how we can accomplish these tasks -- albeit in the face of significant challenges. I want to begin by reviewing the Department's manpower requirements determination process and how that process contributes to Secretary Carlucci's goal of forging a smaller, yet fully trained and ready military force. I will then briefly discuss several aspects of total force management and of our compensation system. Finally, I will mention briefly several special -- very important -- issues, including support of DoD families, women in the military and some retention initiatives.

MANPOWER REQUIREMENTS

In order to avoid a "hollow army" and maintain readiness while fully supporting our forces, the Department cut force structure and manpower in our adjusted budget request. For FY 1989, we have budgeted for:

- 2.1 million active military personnel;
- 1.2 million selected reserve forces; and
- 1.1 million civilians.

All of these numbers represent reductions from the levels the Department requested in the President's FY 1988/1989 biennial request last year. For FY 1989, this is a reduction of over 109,000 personnel. Because of the speed at which all Service budgets had to be adjusted, not all the manpower reductions are yet identified with specific programs. That will occur during the development of the FY 1990-94 POM.

Force Sizing. The size and composition of the force - the actual number and type of people that we need - is determined by policy, doctrine, mission, equipment, standards, as well as fiscal constraints. The President, in conjunction with the Secretary of Defense and the Joint Chiefs of Staff, determines the overall security policy that will guide the Defense Department. This policy, when considered along with available resources, determines how many divisions, carrier battle groups, and air wings are required. Military doctrine and mission determine how many people should be in a particular type of squad, company, squadron, wing or division. The mission and the design and function of a piece of equipment, -- an attack submarine for example, -- determines how many people are needed to operate and support it. Work measurement techniques - performance standards which are applied to funded workloads and mission requirements - tell us how many people are needed in a supply depot, an equipment maintenance operation, or an administrative support facility.

Military/Civilian Mix. The Defense Department uses a discrete series of reviews to determine its military and civilian manpower requirements. We start with the individual soldier, sailor, airman, marine, or civilian and build on that foundation. Basic DoD policy requires that a position will be filled with a civilian unless there is a distinct need for a military person in that position. The principle consideration in manning a function with military personnel is the potential for direct engagement with an adversary in the event of hostilities. There are some DoD positions which could be filled with civilians, but we use them for training and rotation slots for our military manpower. As an example, we fill some stateside billets with military personnel in order to rotate people back from overseas duty and from assignments aboard ships.

Our recently-completed officer requirements study did identify some military positions that could be filled by civilians. The Services are in the process of converting these billets to civilian status and we may require some transfer authority to fund these conversions. In addition to using DoD civilian manpower wherever possible, the Defense Department attempts to use contractor manpower to perform work which can be done more economically by the private sector. This policy makes good economic sense, and it supports the President's policy to move as much work as possible to the private sector.

Overseas, we rely greatly on our allies for host nation support of U.S. forces. This allows for efficient and effective support of military units and reduces our overseas manpower requirements.

Active/Reserve Mix. Readiness requirements and deployment needs, as well as cost, influence whether a military organization should be in the Active force or the Reserve components. The higher the required level of readiness and the greater the need for forward deployment, the greater the likelihood that the unit will be in the active force. Assigning a mission to a Reserve unit will not necessarily be cost effective, if that mission requires continuous peacetime operation or overseas deployment. In addition, the Department must plan for a peacetime rotation base for personnel assigned outside the United States and to sea duty. The Department has made an aggressive effort to ensure the most effective use of Reserves. This is evident in the significant growth of Selected Reserve military manpower, which has increased by about 5 percent per year since FY 1980, compared with about 1 percent per year growth in the active force. This change in active and reserve mix over this period reflects the Department's continuous process of evaluating the most effective force mix within budget constraints.

Requirements Review. We are taking significant steps to improve OSD oversight of the requirements process. For the near term, DoD will more carefully delineate the data requirements submitted during the budget development process. Further, we will examine and compare numerical changes and rationale to ensure consistency with force structure and with OSD and Service policy, and the adequacy of the justifications for growth. As a start, the FY 1989 Defense Manpower Requirements Report (DMRR) will incorporate similar officer-type analyses conducted during the FY 1988 study. For the long term, we will institute a comprehensive approach that revises OSD manpower policy guidance and sets up Service baseline files to clearly depict manpower in relation to force structure. Producing a better oversight process has the Department's highest priority and the understanding cooperation of the Joint Staff and the Services.

In addition, to ensure continued combat effectiveness, we have procedures to update all of our manpower requirements. For example, all spaces not required for combat and combat support must undergo an efficiency review at least once every five years in order to determine that each billet is still required and that the work is being performed in the most efficient and effective manner. The Department's Planning, Programming, and Budgeting System (PPBS) also ensures a complete review of all our resource requirements, both dollar and manpower. During each budget review, the Office of the Secretary of Defense reviews Service and Agency program and budget requirements to ensure a balance between funded workloads and mission requirements and available resources.

Productivity. The Department of Defense has been a leader in implementing work force productivity improvement efforts. The Department emphasizes the use of Efficiency Reviews to ensure that required work is being performed in the most productive way. Emphasis is placed on quality, quantity, and timeliness standards. We use work force motivation efforts such as quality circles and productivity gains sharing to encourage participation and innovation from all of our personnel.

The Defense Department has emphasized the use of productivity enhancing capital equipment as an effective substitute for military and civilian manpower. The Asset Capitalization program in the Department's Industrially Funded Activities provides DoD managers the opportunity to substitute equipment for manpower. The Department's Productivity Enhancing Capital Equipment program provides funding for labor saving equipment which results in significant dollar savings each year. Our FY 1989 Productivity Investment Fund (PIF) budget request identifies requirements for $144.3 million for major capital equipment purchases which will eventually save the Department $24 for each $1 invested. This program makes good sense. We get a better equipped, more productive work force which can, in turn, support our combat forces at a much reduced cost. I request your support of our PIF budget request.

Officer Reductions. The FY 1987 Defense Authorization Act mandated officer reductions of 1 percent in FY 1987, 2 percent in FY 1988, and 3 percent in FY 1989 from those levels assigned as of September 30, 1986. After taking a 1 percent cut in FY 1987, the FY 1988 Defense Authorization Act rephased the remaining 5 percent officer reductions to 1 percent in FY 1988 and 2 percent in FY 1989 and in FY 1990, providing the Department certified that 2 percent reduction in FY 1988 would cause severe officer management problems and submitted DOPMA relief legislation to allow DoD to more prudently shape the officer force. We complied with both of those requirements. Further, as required by law, we provided a report to Congress on 1 February 1988, which explained that the FY 1988 officer reduction of 1 percent was apportioned to the Services based on the Officer Requirements Report submitted last spring.

By the end of FY 1988 the DoD will have actually reduced officer strength by 2.8 percent since the FY 1987 Defense Authorization Act eliminated planned growth previously approved by Congress for FY 1987/88. We appreciated the deferral of 1 percent of the original 1988 cut and the opportunity to more fully study the subject.

We have recently submitted the comprehensive review of Defense Officer Requirements required by the FY 1988 Authorization Act. This study validated growth of 25,858 officers between 1980 and 1986; 7,733 officer billets were questioned. We are now taking steps to implement the study results by removing or converting that non-valid growth. In addition, in connection with the FY 1989 budget and force structure reductions, we have identified over 4,000 additional officer billets that will be reduced in FY 1989 and FY 1990. We believe the implementation of this exhaustive study of officer growth, along with the additional reductions, will convince the Congress of the necessity to repeal the remaining 4 percent reduction. We have submitted the request for repeal with our FY 1989 budget.

General and Flag Officers. Annually since 1982, comprehensive General and Flag (GFO) legislation that would establish a permanent basis for determining annual GFO levels has been submitted to the Congress. To date, no action has been taken by Congress, pending manpower validation process applicable to GFO requirements across the Department. Subsequently, we commissioned the Hay Group to validate all DoD GFO requirements. We chose Hay because they are a recognized pioneer and leader in the field of job measurement. The study will be completed soon, followed by an internal review. We do not expect to request any change in the overall GFO numbers until that review is completed. The study provides a zero-based validation of GFOs and a methodology and framework for the Services to uniformly validate GFO requirements in the future. In addition, and just as important, it will provide OSD the oversight capability it has long needed.

Defense Agencies Manpower. On March 2, 1988, Secretary Carlucci directed that specific Defense Agencies and DoD Field Activities make military and civilian end strength reductions required by the DoD Reorganization Act of 1986. The Secretary had to reduce affected Agencies and Activities by a number which was 5 percent of the FY 1986 manpower levels. The Secretary has made these reductions, but he has expressed serious misgivings over the adverse impacts that these cuts will have on readiness levels. These are over and above the workload and mission reductions already reflected in the FY 1989 budget and, therefore, the Agencies and Activities have had to cut into operational muscle, not fat. DoD has submitted legislative language which would lift the law's requirement for an additional reduction in FY 1989. I request your support of this proposal. Any additional reductions would severely impede our ability to effectively support our warfighting forces.

Total Force Mix. During this next year, I will focus major attention on Total Force policies -- particularly as they relate to force mix -- to ensure that we can continue to perform our assigned missions in an efficient, responsive, and effective manner. I have mentioned some of the initiatives that we have applied to arrive at a smaller, yet better equipped and more responsive force. However, I am aware that the DoD needs to ensure that these policies and efforts are applied in a sensible manner. We need to monitor progress and evaluate results. For these reasons, I have undertaken a "Total Force Initiative." I intend to accomplish several things with this effort. First, I want to fully understand and concur with the criteria used by each of the Military Services as they make their Force Mix decisions. I intend to go back over the past 8 years and identify how decisions were made with regard to the mix of active, reserve, and civilian personnel. Second I want to review the processes and data used by the Services when they made these decisions.

Both RAND and LMI are conducting studies and developing data bases to assist in this review. The data base will include authorizations, requirements, and inventories by skills and force type (active, reserve, or civilian). It will be an important tool to assist my office in my oversight responsibilities. Based on the outcome of our review, I plan to take necessary steps to strengthen where needed the determination process, making sure that appropriate policies are being carried out. I want to be sure that manpower adjustments are closely linked to force structure changes and that our manpower requests meet our mission requirements and funded workloads. I have requested that the Office of the Joint Chiefs of Staff and other OSD offices join me in this effort of ensuring that we have the correct force mix and that we have the means to monitor and justify changes.

FORCE MANAGEMENT

There are many aspects to managing the total force. However, today I want to limit my focus somewhat and discuss the following: Our successful reliance on the All Volunteer Force; Our work internally and with the Congress on joint officer management; Our efforts in the morale, welfare, and recreation area; and Our work toward a drug-free environment.

All Volunteer Force. Recruiting and retention successes over the past 6 years have produced the best qualified force in our history. Today, 95 percent of our accessions are high school graduates compared to 75 percent in the population as a whole and 96 percent of our accessions score average or above on enlistment tests. These high scores are good predictors of success in training and job performance and translate into improved military capability.

Even with these successes, there are some who advocate either a return to conscription or a form of national service as a better way to meet military manpower requirements. These views generally stem from the mistaken belief that the declining youth population will make it impossible to attract enough qualified recruits and that conscription will produce a higher-quality force at less expense.

While the number of young people turning 18 has been declining steadily since 1979, the quality of military recruits has steadily improved. Interestingly, when the youth population peaked in 1979, none of the Services achieved their recruiting objectives. When the youth population bottoms out in 1996, we will need a smaller proportion of the youth population than was required in 1974 -- a good recruiting year. The reasons for this stem from the fact that recruiting depends upon a complex set of factors, including pay, quality of life, reenlistments, enlistment incentives, and recruiting resources.

Although cost estimates vary depending on which alternative to the All-Volunteer Force is considered, every analysis shows that to sustain a force of the same quality and experience, conscription would be more costly than the current all volunteer system.

There is no need for either a peacetime draft or national service to satisfy military manpower requirements.

Joint Officer Management. DoD is totally committed to implementation of the Goldwater-Nichols Reorganization Act, and over the past year we have developed programs for management of officers in joint Service to ensure compliance with the legislation. We have, for example:

- published an initial joint duty assignment list and are now working to update it;
- issued several detailed guidance memorandums pending publication of comprehensive DoD directives;
- implemented extensive promotion board and promotion rate oversight mechanisms; and
- conducted the initial review of joint professional military education programs and developed curricula standards to assure consistent program quality.

However, in the process of establishing the policies and mechanisms to make Goldwater-Nichols work, we have identified some provisions of the law that inhibit effective implementation. While Congress took action to correct some of these problems last year, most were deferred until 1988. We plan to address these issues as part of this year's legislative agenda and hope to have proposed legislation for your consideration by the end of this month. This is an area where we really need your help.

Several issues are of particular concern to us -- but let me highlight just a few. First, we must adjust the minimum tour length. While we are fully committed to increasing stability in joint duty assignments, the minimum tour lengths established in the law need to be changed to preclude adverse impacts on career development and operational requirements and to ensure that we have enough officers with joint experience to select the very best for promotion to the most senior leadership positions. A recent study by the GAO confirmed many of the potential difficulties associated with the current minimum tour length standards.

Second, we need to extend the end of the transition period from October 1, 1988 to October 1, 1989. Unless we do, we cannot meet all the requirements for joint specialist without wasteful expenditure of scarce PCS funds and moving many high-quality officers before they complete joint duty requirements because they do not meet the prerequisites for the billet they are filling.

Third, we need to ensure the law provides adequate provisions to preclude disenfranchising many good officers who served in joint duty assignments under the rules in effect before passage of the DoD Reorganization Act.

I request your support for these changes and several others that will be coming forward.

Morale, Welfare, and Recreation. For the past two years, Congress directed cuts in the appropriated fund support provided to DoD's morale, welfare, and recreation (MWR) activities. Congress directed that these cuts be targeted to revenue-producing activities -- bowling alleys, golf courses, marinas, etc. -- that might be operated largely with patron fees. Based on our report to Congress ("Reassessment of Department of Defense MWR Programs." of August 10, 1987) and the subsequent direction in the FY 1988 DoD Appropriations Act, my office provided initial guidance to the Services, and we are changing appropriate directives. All DoD components are taking measures to operate MWR programs within reduced budgetary caps and to make revenue-generating activities more reliant on their own incomes, derived from patron fees and charges.

DoD Anti-Drug Program. One of our most successful accomplishments of the last several years has been the decline in drug abuse among our military members. The combination of testing, education, and peer pressure has led to a 67 percent reduction in reported drug use among military personnel since 1980. After HHS certification and review by the Department of Justice, we will begin a drug testing program for civilians in those jobs involving national security and safety. We will also begin pre-accession drug and alcohol testing by June 1, 1988, as required by last year's DoD Authorization Bill.

We provide drug abuse education to our 190,000 dependent children attending DoD schools, and we have mobilized our military recruiters and the citizen soldiers of the National Guard and Reserve to become involved in their communities to help stop drug abuse.

In addition, DoD has been actively involved in the Federal Government's efforts to fight the supply of drugs coming into this country. We have responded to requests from foreign governments to help eradicate and interdict illegal drugs. In addition, we have assisted -- and will continue to help -- civilian law enforcement authorities in their efforts to stop illegal drugs. We respond to an average of over 8,000 requests for assistance each year and have loaned over $303 million in equipment in 1987 alone.

We have also provided important assistance through aerial and surface surveillance. During FY 1987, we logged over 16,000 hours of active duty flight hours and over 2,500 ship days. Of course, this support is carried out consistent with law and national security imperatives. During this current fiscal year, we plan to continue our efforts in these areas. We also will place emphasis on programs to reduce the demand for drugs.

COMPENSATION, RECRUITING AND RETENTION

During the 1970s, we learned the hard way that military members must be provided fair and competitive compensation if we expect to attract and keep skilled and dedicated people in the military Services. I am greatly concerned, however, about whether we will be able to maintain our current quality force given recent trends in military pay and related compensation.

Military Pay. Military pay raises have been capped below private sector pay raises, as measured by the Employment Cost Index, in each year since the value of military pay was restored in FY 1982. As a result of these six consecutive pay caps, military pay is now 11 percent behind private sector pay, as shown below.

Military Pay Gap

Fiscal Year	Military Pay Raise	ECI Increase	Needed to Restore FY 82 Level
1983	4.0%	8.1%	3.9%
1984	4.0%	5.6%	5.5%
1985	4.0%	5.1%	6.7%
1986	3.0%	4.4%	8.1%
1987	3.0%	4.2%	9.4%
1988	2.0%	3.5%	11.0%

We have been fortunate that recruiting and retention have not been seriously damaged by this pay gap. However, we cannot expect this to continue indefinitely. A compensation policy based on the concept of reducing pay until people are unwilling to enlist and remain in military service is badly flawed. It assumes we can recognize changed attitudes quickly, and then take the required action to prevent unacceptable losses before they occur. We can do neither.

Warning signs are beginning to appear. In the first quarter of FY 1988, the Services recruited 16 percent fewer high school diploma graduates than during the same period last year. In addition, retention patterns for both officer and enlisted personnel show a decline, since peaking in FY 1983, particularly in high-tech enlisted skills. Recognizing the risks of continued pay erosion, we are requesting a 4.3 percent military pay raise in FY 1989 that is designed to match civilian wage growth and prevent the pay gap from widening. We need your help and leadership to convince the other members of Congress that this increase is fair and needed.

Variable Housing Allowance. Compounding the military pay gap has been the decline in the value of the Variable Housing Allowance (VHA). In FY 1987 and 1988, the Congress froze VHA funding at the FY 1986 level. Housing costs have gone up by 8.5 percent over this period. Military members are now absorbing, on average, over 22 percent of their housing costs out-of-pocket instead of the 15 percent they were intended to absorb when the Congress restructured the military housing allowances in 1985.

The FY 1988 funding freeze has been particularly damaging. Approximately 60 percent (more than 500,000) of those receiving VHA had a reduction in their allowance, and over 80,000 members experienced an overall reduction in take-home pay even though a 2 percent pay raise went into effect at the same time.

We are greatly concerned about the effect the VHA rate reductions will have on the ability of military members to secure decent and affordable housing for their families. We are requesting a 3.4 percent increase in VHA in FY 1989 to cover the increase in housing costs over the past year. We believe that it is absolutely imperative that the value of this important allowance not be further eroded.

PCS/Civilian Moving Expenses. DoD has implemented policy changes and management actions in the Permanent Change of Station (PCS) Program. These changes have reduced turbulence and program costs, resulting in savings of $300 million in FY 1986. Changes include: increasing overseas tours for Army first-termers to 24 months, establishing more restrictive tour length minimums, adopting incentives to encourage members serving overseas to extend tours voluntarily, and tightening waiver authority by requiring approval at higher command levels. We are currently building a PCS management information system to provide us additional data for making PCS policy decisions. We continue to search for additional ways to reduce program costs.

Also, we need changes in the reimbursements for PCS moves. The reimbursement paid to military members for moving related expenses is considerably less than that provided to Federal civilians. To lessen this difference, we would like approval and funding from the Congress to implement increased household goods weight allowances. Our 1987 DoD Household Goods Weight Allowances Report to Congress showed that 15 percent of enlisted and 19 percent of officers experience excess household goods weight charges. These charges average 62 percent of one month's basic pay. We also request that Congress authorize, as entitled under law, a dislocation allowance equal to two months' basic allowance for quarters (BAQ). These actions would go far to alleviate the financial burden involved with a government-ordered move.

Selected Reenlistment Bonuses/Enlistment Bonuses. Complementing annual pay raises, the enlistment and selective reenlistment bonus programs are the most effective tools we have to meet recruiting and retention requirements. These programs are especially crucial in helping us fill certain arduous, high-skill, or mission-critical specialties. The bonuses provide our only capability to target and retarget resources quickly to accommodate changing forces in the manpower marketplace.

These important bonus programs have suffered from fiscal constraints and congressional cuts. Bonus expenditures for

FY 1987 were considerably below those of FY 1986, and this program austerity will continue in FYs 1988 and 1989. We are concerned that these reductions will entail substantial risks by limiting our capability to maintain a safety net for mission-critical skills in the event of a retention downturn. I ask your support of these cost-effective bonus programs.

Pilot Retention. The readiness of our forces dictates that we must find a solution to the continuing loss of pilots. While no immediate problems exist in either the Army or Marine Corps, the Navy currently had a shortfall of approximately 1,000 pilots in the mid-grades (lieutenants and lieutenant commanders). The Air Force, despite a decrease of approximately 1,400 pilot requirements in the FYDP, is projecting a shortage in the mid-grades beginning in FY 1989, and growing to over 2,400 by FY 1993. The principal cause of these shortfalls is declining pilot retention, which results primarily from unprecedented commercial airline hiring rates projected to continue well into the 1990s.

To bolster pilot retention, we are developing a legislative retention proposal that would provide a new bonus program targeted at the critical years and flexible enough to address each Service's unique problems. The proposed budget includes necessary funding for this important initiative. While the bonus program is the centerpiece of our strategy to slow down or stop the continuing losses, we also are implementing or considering other factors and remedies, such as reducing nonflying-related workload, improving the work environment, and extending the active duty service obligation. We are also looking at new accession programs, to include the possibility of a "fly-only" track as a career choice. However, many of these nonmonetary management initiatives may take years to have an impact. We need the bonus program to solve the existing problem, which will soon be out of hand if we don't act promptly.

Nuclear Officer Shortages. We are also experiencing a shortage of senior, experienced, nuclear-trained naval officers. The current shortfall in the submarine community totals 516 officers in the ranks of lieutenant commander through captain; this amounts to 28 percent of the requirements for those grades.

Retention among nuclear submarines has declined from a high of 48 percent in FY 1985 to 39 percent in FY 1987. While the nuclear surface community has fared slightly better, with 45 percent retention in FY 87, retention in both communities is below the rates needed to sustain the mid-grade requirements. Additionally, we have not been able to meet our required accession goals in the last several years.

We have begun several initiatives to combat this declining trend, including expansion of shore duty opportunities, increased opportunities for post-graduate education, an increase in Nuclear Officer Continuation Pay from $9,000 to $10,000 per year, and -- with the support of Congress -- an increase in Submarine Pay and an extension of SPOT promotion authority for selected nuclear qualified lieutenants filling lieutenant commander requirements. These initiatives will improve the current situation, but long-term progress will require sustained, concerted effort, along with your continuing support for these crucial incentive programs.

Overseas Station Allowances. Military personnel assigned overseas receive, in addition to their basic pay and basic allowance for quarters and subsistence, two additional allowances that offset higher costs in the overseas area. One, the overseas housing allowance (OHA), in combination with the basic allowance for quarters, reimburses members for the cost of housing up to a specified ceiling; and the other, the cost of living allowance (COLA), is paid when the average cost of living in the overseas area exceeds that in the continental United States. The COLA is based upon a cost comparison of a defined market basket of goods, excluding housing.

Though military members are protected from currency fluctuations, we have a serious funding problem because the Foreign Currency Fluctuations, Defense appropriation cannot be used for Military Personnel Appropriations and because current authority to transfer unobligated balances to the foreign currency appropriation is restricted to Operation and Maintenance (O&M) appropriations. In FY 1988, increased outlays for foreign currency fluctuations are estimated to be $1 billion in O&M and $500 million in Military Personnel.

The Congress has previously denied our request to include the Military Personnel appropriation as a participant in the foreign currency appropriation and to transfer expired prior year unobligated funds, other than O&M balances, to this appropriation. We urge your support for our legislative proposals to allow us to do this. Significant reductions in readiness-related programs will occur if the Services are required to accommodate the increased costs in the O&M and Military Personnel appropriations.

Civilian Personnel Management. We remain fully committed to improving the civilian personnel management system. Management flexibility and opportunities to reward quality performance must be increased, while cumbersome administrative procedures are eliminated. Since the Administration's proposed Civil Service Simplification Act, which is designed to make such improvements, does not have the necessary Congressional support, we are working with the Office of Personnel Management to develop alternative approaches that would be more acceptable for immediate implementation.

WOMEN IN THE MILITARY

Women continue to contribute significantly toward the high state of readiness we currently enjoy in the volunteer force. Today, we have almost 221,000 (10.2 percent) officer and enlisted women serving in the active forces and almost 200,000 (11.8

percent) women in the reserve forces who will continue to fill critical requirements as equal members of the Department of Defense team.

As you are aware, last fall the Secretary of Defense established a task force to review current policies pertaining to the utilization of military women. Secretary Carlucci, as a result of the task force's recommendations, approved changes including:

° adopting clear rules for evaluating whether certain support positions or units should be open to women;

° opening additional positions to women, including better integrating of women in non-traditional skill areas;

° making elimination of sexual harassment in the Department the highest priority by emphasizing leadership at senior levels of command and holding all command levels accountable for enforcing policies; and

° improving career opportunities for women officers, including reviewing key billet assignment policies to use women officers better.

Total force readiness requires that all military members, male and female, have an opportunity to develop their potential to the fullest. I am committed to the achievement of this objective.

FAMILY SUPPORT

On January 15, 1988, Secretary Carlucci issued the first Department of Defense Family Policy statement. I quote,

> Department of Defense (DoD) members and their families are the most valuable resource in support of the national defense. DoD families serve as a force multiplier, contributing to the readiness and retention of quality Service members. Our goal is a combat-ready force supported by families whose quality of life is equal to that of the

Nation they defend....

The policy statement encourages innovation in the development of family programs, considering the reality of dramatic reductions in the Defense budget. My office is preparing a directive that will provide guidance on and set minimum standards for family support programs. The Secretary and I are personally committed to supporting initiatives that contribute to the well-being of the Defense family.

Your enactment of preference for military spouses seeking employment with DoD in the Military Family Act of November 1985, and of the extension of spousal preference in the National Defense Authorization Act to include entry levels grades GS-2 through GS-4 is an example of an important family initiative. We are working hard to spread the good news of the preference throughout the Department so that spouses and managers understand the opportunities. These efforts complement historical DoD initiatives both overseas and in CONUS to enhance employment opportunities for our family members.

Finally, I would like to thank you for the long-time support of our school system for dependents. We are proud of the quality education our dependents receive. Students of the Department of Defense Dependents Schools (DoDDS) have test scores on basic skills that have been above the national norm for the past 5 years. These include tests in reading, language, arts, mathematics, science, and social studies. In addition, DoDDS students have consistently performed at our above the national average on college entrance examinations (SAT, ACT) for the past 10 years.

In this time of reductions in the Defense budget, coupled with reduced buying power of the dollar overseas, we must be alert to protect these, and other, important family programs.

CONCLUSION

Mr. Chairman, together we face an important year for the future of our military forces. Defense spending is not going to grow at the rates we had planned, hence, manpower and personnel, just like other defense programs, will be vulnerable. One of the greatest challenges to the Department of Defense and the Congress will be to satisfy requirements for a smaller but fully trained and ready military force.

As I noted previously, people -- military and civilian, men and women -- are Secretary Carlucci's number one priority. They are my number one priority also. People make the plans and man the forces that protect this great nation. The budget request you are considering supports these people. It includes the fair and adequate pay, benefit levels, and quality of life initiatives so critical to recruiting, morale and retention. I pledge to work with you to show our people, through our actions -- not just words -- that they are truly our number one priority.

Senator **Glenn**. Thank you very much, Mr. Secretary.

General Ono, do you have some comments?

STATEMENT OF LT. GEN. ALLEN K. ONO, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL

General **Ono**. Good morning, Mr. Chairman.

It is Saint Patrick's Day and I decided to wear green.

Senator **Glenn**. You wore your green uniform. I just wore my green complexion this morning.

General **Ono**. I represent almost 2 million individuals who also wear green. These are ones in the Active component, the Reserve components, as well as our civilian work force. And I am very proud to be representing them.

I have submitted a prepared statement for the record and I would like to give you a brief summary of that if I could, Mr. Chairman.

First is in reference to the quality of the force. We are extraordinarily proud of our leaders and our soldiers and our civilians, who have demonstrated that quality really pays off. Time and time again, they have showed that they are more productive, more efficient, more responsive to tasks and missions given them and there are fewer discipline problems.

Drug abuse is down, crimes are down, accident rates are significantly lower, damaged equipment is minimal, and they learn quickly and are responsive and dependable.

Again, thank you very much for your support and encouragement as we grew this quality force. But at the same time, as you know, it is a system that is fragile, and we ask that you continue to support the efforts to maintain this quality.

Part of the quality extends into quality of life, and that is my second point, Mr. Chairman. The family and quality of life programs are not only the right thing to do, but these programs are directly related to readiness as far as we are concerned.

Your support is essential in this area. We have one request. In the morale, welfare, and recreation program that we have undergone a number of changes in the past 2 years and we ask your indulgence in capping those changes for the next year so that we can get on with the program with greater stability.

The third point is to echo Mr. Green's opening statement with regard to compensation and to say that the military pay will lag behind civilian earnings this fiscal year by 11 percent. And if the growth in the pay gap is not stopped, retention will decline and the quality of our noncommissioned officers and officers in the next decade may be harmed.

We must have that 4.3-percent increase called for in the budget, and I urge your support.

A part of that also is the variable housing allowance. The lack of inflation increases in the VHA budget in 1988 caused our soldiers to suffer. Sixty-seven percent of the VHA-eligible Army members had their allowances reduced, 67 percent.

And even considering the January 1988 2 percent pay raise, because of the VHA adjustments, approximately 10 percent of Army eligible VHA recipients had a net decrease in their paychecks. I know that this was unintentional, but I ask your support in raising the VHA amounts to that level for which it was intended.

The fourth and last point deals with officer cuts, Mr. Chairman. We were cut by more than 3,000 spaces in the last 2 years; 3,000 officers is a huge amount, and we need to get this situation behind us.

You demanded that we bring rigor to our justification rules and we have done that. Your points have been heard and they have been made and we understand and we will comply. You want a strong and ready national defense. You want priority on the warfighting capability. You want to institutionalize the justification process in regard to any further growths.

These have been accomplished. We ask that you free us from further cuts and hope that you will be convinced by the report that was submitted to you that this has occurred.

We ask as a bottom line that we put this behind us.

That completes my personal statement to you, and I look forward to answering your questions.

[The prepared statement of General Ono follows:]

STATEMENT BY
LIEUTENANT GENERAL ALLEN K. ONO
DEPUTY CHIEF OF STAFF FOR PERSONNEL
U.S. ARMY

INTRODUCTION

MISTER CHAIRMAN, MEMBERS OF THE COMMITTEE, I APPRECIATE THIS OPPORTUNITY AS DEPUTY CHIEF OF STAFF FOR PERSONNEL TO ADDRESS YOU ON BEHALF OF THE TOTAL ARMY -- THE ACTIVE FORCE, THE ARMY NATIONAL GUARD, THE ARMY RESERVE AND THE ARMY CIVILIAN WORK FORCE. THESE COMPONENTS TOTAL OVER 1.9 MILLION INDIVIDUALS AND REPRESENT OUR MOST IMPORTANT ASSET -- ITS PEOPLE.

THE ARMY HAS DESIGNATED 1988 AS THE YEAR OF TRAINING. IN VIEW OF OUR PRESENT CHALLENGES AND IMPORTANCE OF USING OUR CONSTRAINED RESOURCES TO THE FULLEST POSSIBLE EXTENT, IT IS MY JOB TO ENSURE THAT THE OFFICERS, NON-COMMISSIONED OFFICERS, AND SOLDIERS ARE THE BEST THIS COUNTRY CAN OFFER. QUALITY LEADERS AND SOLDIERS HAVE DEMONSTRATED THEIR VALUE TIME AND TIME AGAIN. THEY ARE MORE PRODUCTIVE, EFFICIENT AND RESPONSIVE TO THE TASKS AND MISSIONS GIVEN THEM. THIS IS ABSOLUTELY CRITICAL WHEN RESOURCES ARE LIMITED.

THE CELEBRATION OF THE BICENTENNIAL YEAR OF THE CONSTITUTION SERVED TO HIGHLIGHT THE ARMY'S HISTORICAL ROLE IN CARRYING OUT OUR NATIONAL SECURITY OBJECTIVES.

SINCE THE SIGNING OF THE CONSTITUTION, WE HAVE CHANGED BOTH AS A NATION AND AS AN ARMY, BUT THE NEED FOR A QUALITY FORCE DEDICATED TO THE SUPPORT AND DEFENSE OF THE NATION HAS NOT CHANGED.

IT IS EVIDENT BY EVENTS IN TODAY'S HEADLINES THAT CONFLICT CAN ARISE SUDDENLY AND UNPREDICTABLY IN TODAY'S COMPLEX WORLD. THE ARMY MUST BE PREPARED TO ACT RAPIDLY AND EFFECTIVELY TO THE

"WINDS OF CHANGE" BECAUSE WE CANNOT PREDICT EVERY CONTINGENCY.

TODAY, I WILL ADDRESS A FEW OF MY MAJOR CONCERNS THAT MUST BE MET HEAD ON. I KNOW YOU CARE AND WANT TO MAINTAIN A STRONG AND READY ARMY.

QUALITY OF THE FORCE

AS YOU KNOW, OUR FOCUS IS ON WARFIGHTING. IT'S MY MISSION TO ENSURE THAT OUR COMBATANT COMMANDS, INDEED, THE TOTAL ARMY IS SUPPLIED WITH QUALITY PERSONNEL. THIS IS MY NUMBER ONE PRIORITY. TO RECRUIT AND RETAIN QUALITY OFFICERS, NCO'S AND SOLDIERS. OVER THE LAST SIX YEARS, WITH YOUR SUPPORT, WE HAVE MET THIS CHALLENGE. WE MUST ENSURE THAT THE DECISIONS AND ACTIONS OF TODAY WILL SUSTAIN OUR QUALITY ARMY INTO THE FUTURE, AN ARMY THAT RECRUITS AND TRAINS THE BEST YOUNG SOLDIERS AND LEADERS OUR NATION HAS TO OFFER.

ACTIVE COMPONENT ACCESSIONS

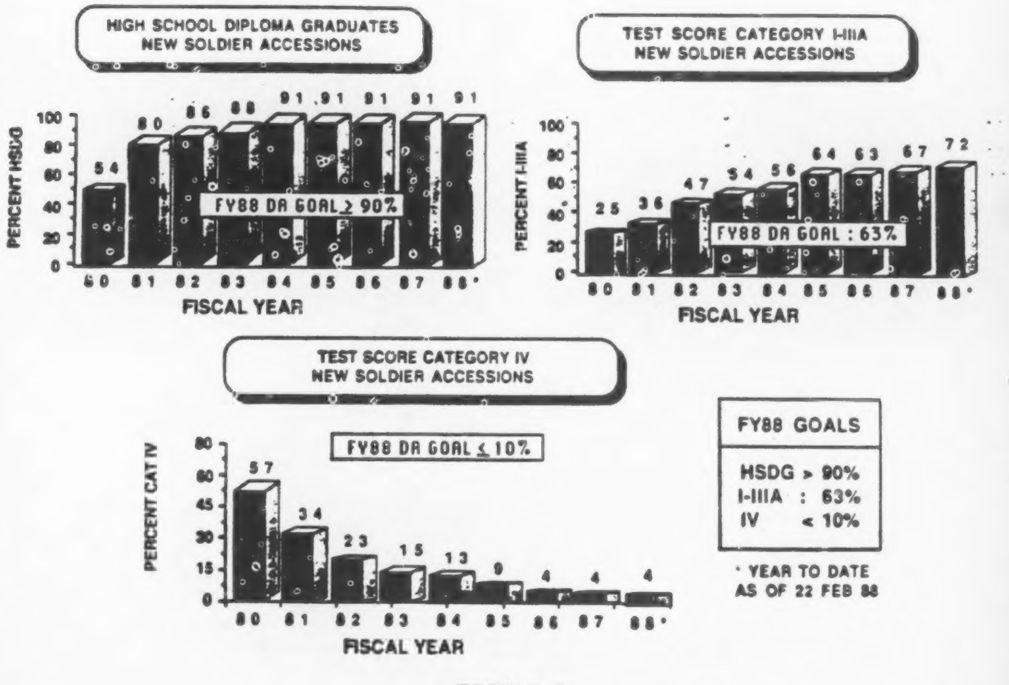


FIGURE 1

AS NOTED IN FIGURE 1, 91% OF ALL ACCESSIONS INTO THE ACTIVE COMPONENT ARE HIGH SCHOOL DIPLOMA GRADUATES. ONLY 4% ARE IN THE LOWEST ELIGIBLE TEST SCORE CATEGORY.

THIS ACHIEVEMENT IS UNPARALLELED IN THE HISTORY OF THE ARMY AND IS REPEATED IN THE RESERVE COMPONENTS AS NOTED IN FIGURES 2 AND 3.

ARMY NATIONAL GUARD ACCESSIONS

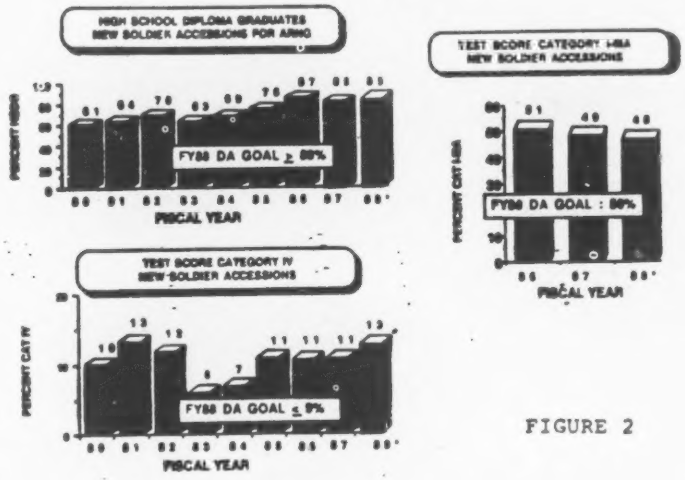


FIGURE 2

ARMY RESERVE ACCESSIONS

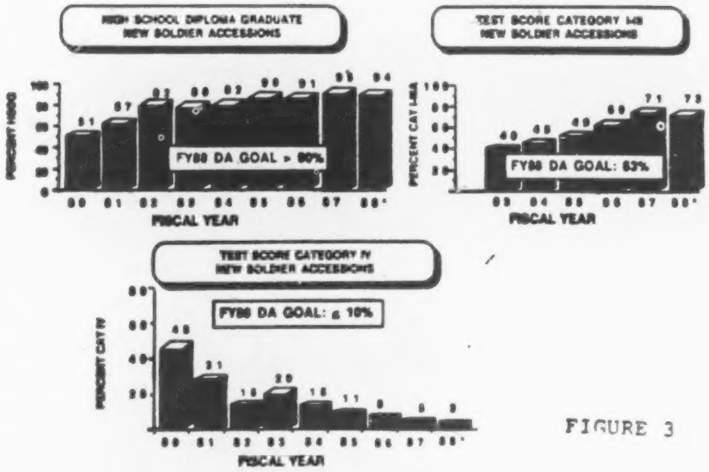


FIGURE 3

WE HAVE MUCH IN OUR ARMY TO BE PROUD OF. THE STATE OF THE ARMY AND ITS PEOPLE IS EXCELLENT--MORALE AND ESPRIT ARE AT AN ALL TIME HIGH, BUT WE CANNOT REST. WE MUST NOT REVERSE THE MOMENTUM THUS FAR ACHIEVED. WE MUST LOOK FORWARD TO THE FUTURE AND FOCUS OUR EFFORTS AND RESOURCES FOR SUSTAINING THIS QUALITY PERSONNEL BASE WHICH IS NECESSARY TO MAINTAIN A READY ARMY. IF REDUCTIONS IN APPROPRIATIONS CONTINUE, OUR PROGRESS WILL BE LOST AND THE FUTURE SECURITY WILL BE IN DOUBT.

WHY? QUALITY SOLDIERS ARE A COMBAT MULTIPLIER. THEY ARE THE KIND OF SOLDIERS NEEDED FOR FUTURE CONFLICTS BECAUSE OF THE DECENTRALIZATION OF LEADERSHIP AND RAPID PACE OF COMBAT THAT WILL OCCUR. THEY REPRESENT THE PRIME FACTOR IN DETERMINING OUR FLEXIBILITY, OUR DEPLOYABILITY, OUR STEADFASTNESS, AND OVERALL POWER THAT WILL BE NECESSARY TO DETER AND, WHEN CALLED UPON, TO FIGHT AND TO WIN.

QUALITY SOLDIERS ARE NOT A LUXURY; THEY ARE ESSENTIAL. WE KNOW THAT QUALITY BREEDS ON ITSELF. THESE YOUNG MEN AND WOMEN ARE DEDICATED AND ALWAYS LOOKING FOR MORE EFFECTIVE AND EFFICIENT WAYS OF MEETING MISSION REQUIREMENTS.

AS INDICATED IN THE NEXT CHART, THEY HAVE FEW DISCIPLINE PROBLEMS. INDICATORS OF INDISCIPLINE ARE AT AN ALL TIME LOW. IN ADDITION, ACCIDENT RATES ARE SIGNIFICANTLY DOWN. THEY LEARN QUICKLY--AT FORT BENNING IN THE 13 WEEK ONE STATION UNIT TRAINING COURSE, WE ARE NOW TEACHING INFANTRY RECRUITS MORE SKILLS THAN WERE COMMONLY TAUGHT TO INFANTRY RECRUITS OF THE 70'S.

QUALITY SOLDIERS SEEK RESPONSIBILITY AND ARE MORE APT TO COMPLETE THEIR TERMS OF SERVICE. THEY CHALLENGE US TO BE CREATIVE. MY POINT, HERE, IS THAT DUE TO THIS "QUALITY", THE ARMY CAN MORE EFFICIENTLY AND EFFECTIVELY CONCENTRATE ON PREPARING FOR ITS MISSION. THIS IS WHY WE SAY THAT QUALITY SOLDIERS ARE THE FOUNDATION OF OUR READINESS.

WHAT ARE SOME OF THE CHALLENGES? DESPITE DEMOGRAPHIC TRENDS AND AN IMPROVING ECONOMY, WE HAVE CONTINUED TO SUCCEED IN MEETING AND EXCEEDING OUR RECRUITING AND RETENTION GOALS IN BOTH

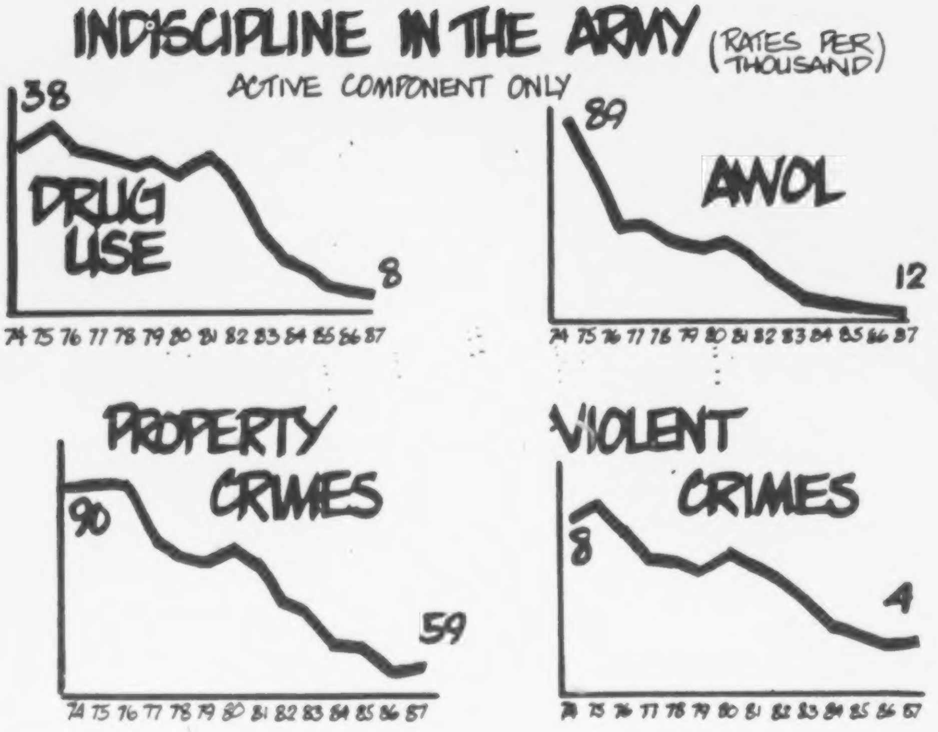


FIGURE 4

QUALITY AND QUANTITY. HOWEVER, DUE TO THE CONTINUING IMPROVEMENTS IN THE ECONOMY, THE DECLINING POOL OF ELIGIBLE QUALITY MANPOWER FROM WHICH TO DRAW, A WIDENING DISPARITY IN PAY COMPARABILITY, AND A REDUCTION OF APPROPRIATIONS FOR QUALITY OF LIFE PROGRAMS AND OTHER PERSONNEL RESOURCES, MAINTAINING THIS FORCE WILL BECOME MORE EXPENSIVE. IF GIVEN THE NECESSARY RESOURCES, WE CAN CONTINUE TO PROVIDE THE ARMY WITH QUALITY SOLDIERS.

WHAT'S NEEDED? -- YOUR CONTINUED SUPPORT OF RECRUITING AND ADVERTISING RESOURCES, CASH ENLISTMENT BONUSES AND EDUCATIONAL BENEFITS IS NECESSARY. WE MUST CAPITALIZE ON YOUNG PEOPLES DESIRE FOR SELF-IMPROVEMENT AND CONTINUED EDUCATION.

A MAJOR CONTRIBUTION TO RETENTION IS ENSURING THAT OUR SOLDIERS AND FAMILIES KNOW WE WILL TAKE CARE OF THEM. FAMILY AND QUALITY OF LIFE PROGRAMS ARE NOT ONLY THE RIGHT THING TO DO -- WE

VIEW THESE PROGRAMS AS DIRECTLY RELATED TO READINESS. YOUR CONTINUED SUPPORT OF THESE PROGRAMS IS ESSENTIAL.

OUR SOLDIERS EXPECT ADEQUATE COMPENSATION. MILITARY PAY WILL LAG BEHIND CIVILIAN EARNINGS IN THE PRIVATE SECTOR BY 11% IN FY88. IF THE GROWTH IN THE PAY GAP IS NOT STOPPED, RETENTION WILL DECLINE AND THE QUALITY OF OUR NCO LEADERSHIP IN THE NEXT DECADE WILL BE REDUCED.

WE MUST HAVE THE 4.3% INCREASE CALLED FOR IN THE PRESIDENT'S BUDGET JUST TO HALT THE PAY GAP GROWTH. I URGE YOUR SUPPORT FOR THIS CRITICAL PAY RAISE.

ANOTHER COMPENSATION ISSUE NEEDING YOUR SUPPORT IS THE VARIABLE HOUSING ALLOWANCE (VHA). LACK OF INFLATION INCREASES IN THE VHA BUDGET CAME TO A HEAD IN FY88 WHEN THE CONGRESSIONALLY FROZEN VHA DOLLARS WERE REDISTRIBUTED TO PROVIDE EQUITY BETWEEN SERVICE PERSONNEL IN AREAS WITH RAPIDLY ESCALATING HOUSING COSTS AND THOSE IN AREAS WITH LOWER RATES OF INCREASE OR ACTUAL DECREASE. SIXTY SEVEN PERCENT OF VHA-ELIGIBLE ARMY MEMBERS HAD THEIR ALLOWANCES REDUCED. EVEN CONSIDERING THE 1 JANUARY 1988 TWO PERCENT MILITARY PAY RAISE, APPROXIMATELY 10% OF ARMY ELIGIBLE VHA RECIPIENTS (ABOUT 25,000 SOLDIERS) HAD A NET DECREASE IN THEIR PAYCHECKS.

A NEW VHA SURVEY WILL BE ADMINISTERED IN THE SPRING OF 1988 AND THE RESULTS WILL BE IMPLEMENTED IN THE BEGINNING OF FY 89. WE URGE CONGRESS TO RESTORE VHA TO ITS INTENDED PURPOSE.

WE MUST ALSO REMEMBER THAT AN IMPORTANT FACTOR FOR ATTAINING QUALITY IS THE SYNERGISM OF THE TOTAL ARMY. WE DO NOT HAVE TO MATCH POTENTIAL ADVERSARIES WEAPON FOR WEAPON OR UNIT FOR UNIT. WE MUST, HOWEVER, ENSURE THAT THE TOTAL FORCE IS MANNED AND TRAINED IN ORDER TO BE ABLE TO MEET THE BROAD SPECTRUM OF

AS STATED BEFORE, OUR RESERVE COMPONENTS ARE MANNED WITH QUALITY PERSONNEL. A MAJOR INCENTIVE PROGRAM DESIGNED TO MAINTAIN THE MOMENTUM THUS FAR GAINED TO SUSTAIN QUALITY SOLDIERS IN THE RESERVE COMPONENTS IS THE SELECTIVE RESERVE INCENTIVE

PROGRAM (SRIP). THIS PROGRAM OFFERS AN ENLISTMENT BONUS OF UP TO $2,000 FOR HIGH SCHOOL GRADUATES ENLISTING IN HIGH PRIORITY RESERVE COMPONENT UNITS OR IN CRITICAL SKILLS FOR SIX YEARS AND A $2,500 REENLISTMENT BONUS FOR THREE YEARS OR $5,000 REENLISTMENT BONUS FOR SIX YEARS. A SRIP AFFILIATION BONUS OF UP TO $3,600 IS PROVIDED TO SOLDIERS WITH A REMAINING MILITARY SERVICE OBLIGATION WHO TRANSFERS TO A RESERVE OR NATIONAL GUARD UNIT UPON LEAVING THE ACTIVE COMPONENT. THIS PROGRAM MUST CONTINUE TO RECEIVE YOUR SUPPORT.

JUST AS WE CANNOT GO TO WAR WITHOUT OUR RESERVE COMPONENTS, THE SAME CAN BE SAID OF OUR CIVILIAN WORKFORCE. THEY PROVIDE CONTINUITY AND STABILITY TO OUR TOTAL FORCE. THIS ALLOWS OUR SOLDIERS TO PERFORM THE TASKS OF SOLDIERING WHERE THEY MEAN THE MOST--IN THE UNIT.

WE DEPEND ON OUR CIVILIAN MEMBERS TO PERFORM CRITICAL SUPPORT FUNCTIONS TO THE ARMY WARFIGHTING MISSION. CIVILIANS COMPRISE 75% OF BASE OPERATIONS, 92% OF LOGISTICS, 81% OF RESEARCH AND DEVELOPMENT, AND 43% OF MEDICAL PERSONNEL.

ARMY CIVILIAN STRENGTH WILL DRAW DOWN FROM 418,000 IN FY 87 TO ABOUT 400,000 IN FY 88-89. DURING THE SAME PERIOD, MILITARY REDUCTIONS WILL FORCE EVEN GREATER RELIANCE ON CIVILIANS IN SUPPORTING FUNCTIONS.

CONTINUED REDUCTIONS IN THE CIVILIAN STRENGTH WILL EQUATE TO SOME INCREASE IN BORROWED MILITARY MANPOWER WITH A REDUCTION IN TACTICAL UNIT READINESS. OUR CIVILIAN WORKFORCE MUST CONTINUE TO BE SUPPORTED AND DEVELOPED.

ADDITIONALLY, WE FACE PRESSURES FOR INCREASED SKILL LEVELS OF CIVILIAN MANAGERIAL, PROFESSIONAL, AND TECHNICAL PERSONNEL PUSHED BY SEVERAL TRENDS: A RAPIDLY CHANGING AND ADVANCING TECHNOLOGY; A GREATER RELIANCE ON CONTRACTOR SUPPORT FOR ROUTINIZED AND BLUE COLLAR FUNCTIONS; THE NEED TO PLACE CIVILIANS IN SUPERVISORY AND MANAGERIAL POSITIONS IN SUPPORTING FUNCTIONS NOW PERFORMED BY MILITARY PERSONNEL; AND THE NEED TO DEVELOP BROAD GAUGED, MULTI-DISCIPLINARY EXECUTIVE TALENT IN COMPLEX FIELDS

SUCH AS ACQUISITION AND PROCUREMENT, LOGISTICS, AND RESEARCH AND DEVELOPMENT.

UNFORTUNATELY BUDGET CONSTRAINTS ARE FORCING US INTO A POSITION OF "MORTGAGING THE FUTURE" WITH REGARD TO THE SYSTEMATIC TRAINING AND DEVELOPMENT OF THE CIVILIAN COMPONENT.

THE IMPORTANCE TO ARMY READINESS OF TOP QUALITY PROFESSIONAL, TECHNICAL AND MANAGERIAL PERSONNEL IN SUPPORTING FUNCTIONS CANNOT BE OVEREMPHASIZED. CIVILIAN EMPLOYEES IN THESE FUNCTIONS MUST BE SYSTEMATICALLY DEVELOPED TO MEET CURRENT AND FUTURE ARMY REQUIREMENTS. WE NEED THE SUPPORT OF THE CONGRESS TO HELP US ENSURE THAT THESE CRITICAL NEEDS ARE NOT SHORTCHANGED.

WE MUST CONVINCE OUR SOLDIERS AND CIVILIANS THAT THEY HAVE POPULAR SUPPORT. THEY MUST KNOW THAT THEIR CONTRIBUTIONS TO THE NATION'S SECURITY ARE UNDERSTOOD AND APPRECIATED. OUR SOLDIERS MUST FEEL A BOND WITH THEIR COUNTRY. AMERICAN SOLDIERS NEED THE MORAL AS WELL AS THE FISCAL SUPPORT OF THE AMERICAN PEOPLE.

OFFICER REDUCTIONS

MY NEXT TOPIC IS THE ISSUE OF OFFICER END STRENGTH REDUCTION. THERE HAS BEEN CONGRESSIONAL CONCERN OVER OUR OFFICER GROWTH THROUGH THE FIRST PART OF THIS DECADE DURING WHICH THE ARMY INCREASED ITS OFFICER STRENGTH BY APPROXIMATELY 11,000. THIS GROWTH HAS TAKEN PLACE IN THE "MUSCLE" OF OUR FIGHTING FORCES -- 82% OR 9300 LINE OFFICERS OF WHICH 6,800 WERE COMPANY GRADE. RIGHT WHERE LEADERSHIP IS NEEDED TO FIGHT AND WIN.

THE REMAINING OFFICER GROWTH WAS ESSENTIAL TO MEET THE INCREASED REQUIREMENT FOR OFFICERS IN JOINT AND DEFENSE AGENCIES, TO MAN THE NATIONAL TRAINING CENTER, TO INCREASE THE ARMY'S AND THE NATION'S MILITARY INTELLIGENCE CAPABILITY, TO PLACE ARMY ROTC ON NEW CAMPUSES, TO IMPROVE UNIT AND INDIVIDUAL TRAINING, AND TO REDUCE SERIOUS MEDICAL SHORTFALLS. THE ARMY ACCOMPLISHED ALL OF THIS WITHOUT INCREASING ITS END STRENGTH. OFFICER GROWTH HAS ALREADY BEEN PAID FOR OUT OF HIDE. WE CONTINUE TO SEEK YOUR

STRONG SUPPORT TO RELEASE US FROM FUTURE REDUCTIONS.

WHY? THESE REDUCTIONS ARE DIRECTED BY CONGRESSIONAL MANDATE. IN FY87, WE REDUCED OUR OFFICER RANKS BY 1.5% OR 1,635 OFFICERS AS APPORTIONED BY OSD. THIS YEAR WE HAVE BEEN DIRECTED TO ELIMINATE AN ADDITIONAL 1.4% OR 1,514 OFFICERS. THESE REDUCTIONS HURT. WE HAVE BEGUN TO "STRIP OUT THE FIBER OF THE MUSCLE"--OUR COMPANY GRADE OFFICERS.

NOT ONLY HAS THIS CAUSED US TO REDUCE OUR COMPANY GRADES BUT WE HAVE STARTED TO REDUCE OUR COMBAT EXPERIENCE BASE. TO MEET THE CURRENT MANDATE, WE ARE HAVING TO RESORT TO THE SELECTIVE EARLY RETIREMENT BOARD (SERB) IN AN EFFORT TO MAINTAIN A BALANCED OFFICER INVENTORY.

WHAT ARE SOME OF THE CHALLENGES? IF THE CONGRESS PERSISTS WITH ADDITIONAL OFFICER REDUCTIONS IN FY89 AND FY90, WE WOULD BE REQUIRED TO REDUCE ANOTHER 4446 OFFICERS, 2223 IN BOTH FY 89 AND FY 90. TO ACCOMPLISH THESE REDUCTIONS, AND IN LIGHT OF PREVIOUS REDUCTIONS, WE WOULD BE FORCED TO RESORT TO MEASURES THAT WILL REQUIRE ADDITIONAL STATUTORY AUTHORITY:

FIRST -- TO ENCOURAGE VOLUNTARY RETIREMENT OF OFFICERS WHOSE SKILLS WILL NO LONGER BE REQUIRED AS A RESULT OF THE FORCE REDUCTIONS, WE WOULD NEED THE AUTHORITY TO WAIVER A PORTION OF THE THREE-YEAR SERVICE "LOCK-IN" FOLLOWING PROMOTION.

NEXT, WE WOULD NEED INCREASED AUTHORITY TO MANDATORILY RETIRE OFFICERS UNDER THE SERB; AND LAST, WE WOULD BE REQUIRED TO INITIATE REDUCTION-IN-FORCE (RIF) PROCEDURES FOR OVER 1,000 OFFICERS IN FY89 AND OVER 1,600 OFFICERS IN FY90.

WHAT IS NEEDED? -- THESE ACTIONS WOULD HAVE A SIGNIFICANT NEGATIVE IMPACT ON THE MORALE OF OUR OFFICER CORPS. ALL OF THIS IS GOING ON WHILE WE STRIVE TO MAINTAIN AN ATMOSPHERE OF COMMITMENT; NOT ONLY ON THE PART OF THE ARMY TO THE SOLDIER, BUT FROM THE SOLDIER TO THE ARMY.

THE ARMY SEEKS RELIEF FROM THE FY89 AND FY90 CUTS. COMBAT READINESS AND FORCE CAPABILITY HAS ALREADY BEEN HIT. OFFICER POSITIONS LOST IN FY 87 STRUCK DEEP INTO OUR MOBILIZATION

CAPABILITY AND IN FY 88 HAS FORCED THE ARMY TO ELIMINATE COMBAT UNITS. IF THIS RELIEF IS NOT GRANTED, FURTHER PERSONNEL LOSSES WILL CONTINUE TO HAVE AN ADVERSE EFFECT ON OUR COMBAT CAPABILITY AND THE ARMY'S ABILITY TO EXECUTE THE LEADER INTENSIVE AIRLAND BATTLE DOCTRINE.

QUALITY OF LIFE (QOL)

THE NEXT MAJOR AREA OF CONCERN IS FOR YOUR CONTINUED SUPPORT OF QUALITY OF LIFE PROGRAMS AND FACILITIES. QUALITY OF LIFE IS DIRECTLY RELATED TO READINESS.

WHY? QUALITY OF LIFE ENCOMPASSES PROGRAMS, FACILITIES, AND SERVICES THAT HAVE IMPACT ON THE LIVING AND WORKING CONDITIONS OF OUR SOLDIERS AND THEIR FAMILIES. THE SOLDIER TODAY EXPECTS, AND WE ARE OBLIGATED TO PROVIDE, QUALITY PROGRAMS AND FACILITIES TO MEET THEIR NEEDS.

THESE PROGRAMS AND FACILITIES ARE DIRECTLY RELATED TO THEIR EFFICIENCY ON THE JOB, THEIR PROPENSITY TO REMAIN IN THE ARMY, AND THE READINESS OF OUR TOTAL FORCE. THESE PROGRAMS INCLUDE FAMILY ADVOCACY PROGRAMS; ARMY COMMUNITY SERVICES; CHILD DEVELOPMENT SERVICES; SPORTS FACILITIES; MORALE, WELFARE AND RECREATION PROGRAMS; FINANCIAL SERVICES; AND THE POST EXCHANGE; COMMISSARIES; BARRACKS AND OTHER LIVING AND WORKING FACILITY IMPROVEMENTS--JUST TO NAME A FEW.

WHAT ARE THE CHALLENGES? SIGNIFICANT MOMENTUM HAS BEEN GAINED IN THIS AREA OF CONCERN DUE TO YOUR SUPPORT AND THE ARMY'S DEDICATION TO IMPROVING THE SOLDIER'S QUALITY OF LIFE. BUT MUCH REMAINS TO BE DONE.

THE DEMOGRAPHICS OF OUR ARMY UNDERSCORE SOME OF THE MANY CHALLENGES WE MUST ADDRESS. TODAY THE ACTIVE ARMY IS OVER 50% MARRIED WITH OVER ONE MILLION FAMILY MEMBERS. THE FAMILY MEMBER POPULATION IS ALMOST EQUAL TO THE TOTAL ARMY END STRENGTH OF 1.9 MILLION. OUR ACTIVE SOLDIERS HAVE 730,000 CHILDREN. WE HAVE 40,000 SINGLE PARENTS AND APPROXIMATELY 22,000 MILITARY COUPLES

IN THE ACTIVE FORCE.

APPROXIMATELY 50% OF THE CHILDREN ARE AGE 6 AND UNDER. APPROXIMATELY 34% OF OUR ARMY FAMILIES ARE LOCATED OUTSIDE THE CONTINENTAL US. ALL OF THESE FACTS POINT TO UNIQUE PROBLEMS AND CONCERNS WHICH MUST BE ADDRESSED IN ORDER TO MAINTAIN A FORCE READY FOR DEPLOYMENT.

CONTINUED REDUCTION OF RESOURCES TO FUND NEEDED PHYSICAL FITNESS CENTERS, CHILD DEVELOPMENT FACILITIES, BARRACKS IMPROVEMENTS, FAMILY HOUSING AND MEDICAL CARE FACILITIES AS WELL AS ESSENTIAL PROGRAMS AND SERVICES WILL HALT THE MOMENTUM THUS FAR GAINED. IN FY88 THE ARMY WAS FORCED TO CANCEL THE VOLUNTEER COORDINATOR PROGRAM, YOUTH DEVELOPMENT PROGRAM, OUTREACH SERVICES AND NEW GROWTH IN OTHER COMMUNITY PROGRAMS.

FURTHER REDUCTIONS WILL MANDATE ADDITIONAL CUTS INTO OUR CORE FAMILY PROGRAMS AS WELL AS SIGNIFICANTLY REDUCE OUR ABILITY TO PROVIDE SOLDIERS AND THEIR FAMILIES WITH THE FACILITIES NECESSARY TO MEET THEIR NEEDS. THIS WILL HAVE A SIGNIFICANT NEGATIVE IMPACT ON OUR ABILITY TO RETAIN OUR QUALITY SOLDIERS. THIS WILL IN TURN REDUCE READINESS.

WHAT IS NEEDED? WE HAVE AN OBLIGATION TO TAKE CARE OF OUR SOLDIERS AND THEIR FAMILIES. FROM MY PERSONAL EXPERIENCES, AS WELL AS REPORTS FROM COMMANDERS IN THE FIELD, SOLDIERS MAKE DECISIONS TO REMAIN IN THE ARMY BASED ON FAMILY CONSIDERATIONS AND COMMITMENT. THEREFORE, IF WE TAKE CARE OF OUR SOLDIERS AND THEIR FAMILIES -- IF WE GENUINELY CARE FOR THEIR NEEDS -- THEN OUR FAMILIES WILL REINFORCE THE EFFORTS OF OUR SOLDIERS WHO WILL THEN BE BETTER ABLE TO ENDURE THE HARDSHIPS, STRESSES AND TURMOIL ASSOCIATED WITH MOVEMENTS, FAMILY SEPARATIONS, AND THE ALWAYS PRESENT POTENTIAL FOR COMBAT. IN THIS WAY THE SOLDIER AND FAMILY SUPPORTS THE ARMY'S MISSION.

THEREFORE, WITH YOUR SUPPORT, WE NEED TO CONTINUE THE MOMENTUM THUS FAR GAINED AND BUILD ON IT. I SEEK YOUR SUPPORT TO PROVIDE THE LEVEL OF APPROPRIATIONS NECESSARY TO MAINTAIN THE ARMY'S QUALITY OF LIFE PROGRAMS.

PCS

I WANT TO TAKE THIS OPPORTUNITY TO ADDRESS THE PERMANENT CHANGE OF STATION (PCS) ISSUE. THIS IS A DELICATE AND FRAGILE ISSUE THAT MUST BE MANAGED WITH SOME SENSITIVITY AND BE FOCUSSED ON THE EFFORTS NECESSARY TO ADDRESS OVERSEAS DEPLOYED FORWARD FORCES. IT IS ALL TO OFTEN A TEMPTING PROGRAM TO CUT BECAUSE OF ITS NOT SO OBVIOUS ROLE IN TRAINING AND IN FORCE READINESS.

AT THE DIRECTION OF CONGRESS AND SUBSEQUENT PCS BUDGET REDUCTIONS, THE ARMY HAS IMPOSED STRINGENT CONTROLS OVER THE PCS PROGRAM. THE NUMBER OF MOVES MADE SINCE 1980 HAS BEEN REDUCED BY 17%, WHILE AT THE SAME TIME, NEW ENTITLEMENTS AND COSTS HAVE GROWN BY 43%. THE GROWTH FROM FY 1988 TO FY 1989 IS PRIMARILY DUE TO RISING COSTS. THE ARMY HAS IMPLEMENTED SEVERAL PCS POLICY CHANGES DURING 1986 AND 1987. THE MAJOR CHANGES WERE:

--FROM AN 36-MONTH TO A 48-MONTH TOUR IN CONUS, ALASKA AND HAWAII;

--FROM AN 18-MONTH TO A 24-MONTH TOUR FOR FIRST TERM SOLDIERS;

--AUTHORIZED A PERMISSIVE MOVE FOR JOINT DOMICILE SOLDIERS ONLY IF BETWEEN 12 AND 24 MONTH TIME ON STATION;

--PLACED A RESTRICTION ON SENIOR OFFICER/NCO'S IN EUROPE TO AN ADMINISTRATIVE WEIGHT ALLOWANCE;

--DELETED THE HOMEBASED ADVANCED ASSIGNMENT PROGRAM (HAAP) MOVE OPTIONS EXCEPT FOR ADVANCE ASSIGNMENTS;

CONTINUED REDUCTIONS OF PCS FUNDS WILL HAVE SIGNIFICANT NEGATIVE IMPACT ON OUR ABILITY TO MAINTAIN THE DESIRED LEVEL OF READINESS. WE HAVE BASED OUR PCS POLICIES ON THE FOLLOWING PRINCIPLES:

--TO IMPROVE READINESS;

--TO PROVIDE INCENTIVES FOR VOLUNTARY ACTIONS;

--TO ENSURE THAT ALL GRADES AND ALL COMMANDS SHARE IN THE CHANGES;

--TO PROTECT PROFESSIONAL TRAINING;

--TO ACCOMMODATE FAMILIES;

--TO SYNCHRONIZE CLOSELY WITH RECRUITING AND RETENTION;

--TO MARKET CHANGES WITH EMPHASIS ON THE POSITIVE ASPECTS.

WHY? THOUGH THERE HAVE BEEN POSITIVE OUTCOMES FROM FEWER PCS'S, COMMANDERS ARE FINDING IT MORE DIFFICULT TO MOVE SOLDIERS IN ORDER TO CROSS-LEVEL THEIR UNITS OR TO PROVIDE THEM PROFESSIONAL DEVELOPMENT NECESSARY TO MAINTAIN THE DESIRED LEVEL OF READINESS IN OUR FORWARD DEPLOYED UNITS. IN ORDER TO SUSTAIN THE FORCE AND TO MANAGE OUR TROOP STRENGTH, WE MUST EXECUTE 40.3% OF OUR TOTAL PCS MOVES FOR SUSTAINMENT AND 59.7% FOR MAINTENANCE OF STRENGTH LEVELS. THESE PERCENTAGES INCLUDE PCS MOVES THAT ARE ESSENTIAL FOR OPERATIONS, TRAINING AND UNIT ROTATION.

WHAT ARE THE CHALLENGES FACING US? THE ARMY MUST OVER COME THE ADVERSE PERCEPTION OF A "BREACH-OF-FAITH" AND PCS "TINKERING" CAUSED BY LONGER TOURS, PCS DELAYS/FREEZES AND UNCERTAINTIES OF THE FUTURE.

IN ADDITION, WE MUST MANAGE THE TIMELY DISTRIBUTION CHALLENGES OF FORCE MODERNIZATION AND AND THE FILLING OF KEY BILLETS AND CRITICAL SKILLS. WE ARE ALSO CHALLENGED WITH THE PROFESSIONAL DEVELOPMENT HURDLES ASSOCIATED WITH DELAYS IN KEY ASSIGNMENTS, TRAINING. AND PROFESSIONAL MILITARY EDUCATION.

WHAT IS NEEDED? THE ARMY WILL ACTIVELY MONITOR THIS PROGRAM TO INSURE COMPLIANCE WITH THE SPIRIT AND INTENT OF CONGRESS. HOWEVER, WE NEED CONGRESS TO GAIN AN APPRECIATION FOR THE COMPLEXITY OF THE PCS PROGRAM AND THE ARMY'S PCS READINESS LINK, TO HAVE CONFIDENCE IN OUR RESOLVE TO COMPLY WITH CONGRESSIONAL INTENT OF REDUCED MOVES, REDUCED TURBULENCE AND REDUCED FAMILY HARDSHIPS. WE NEED A COMMITMENT FROM THE CONGRESS TO SUSTAIN ESSENTIAL FUNDING--WE CAN NO LONGER ABSORB REDUCTIONS GIVEN FORCE DISPOSITIONS, SPECIFIED TOUR LENGTHS, AND ARMY READINESS IMPERATIVES.

CONCLUSION

IT'S BEEN SAID THAT PREPAREDNESS IS PEACE'S GUARANTOR; ITS FAILURE IS WAR'S PRECURSOR. THE PEACE WE NOW ENJOY IS THE FRUIT OF YESTERDAY'S SACRIFICES AND TODAY'S READINESS. BUT THERE ARE NOT GUARANTEES THAT THIS PEACE WILL BE A PART OF OUR FUTURE. A STRONG DEFENSE MADE UP OF QUALITY FORCES IS THE ESSENTIAL INGREDIENT IN THE EQUATION THAT ASSURES PEACE.

ALL ARMY LEADERS HAVE DEDICATED THEMSELVES TO PRODUCING AN ARMY OF EXCELLENCE. AND, I BELIEVE THE PROGRESS WE HAVE MADE TO DATE SHOWS WE ARE NOT JUST PAYING LIP SERVICE TO THESE IDEALS. SOLDIERS AND UNITS NEED CONTINUITY, STABILITY, ASSURANCE OF ADEQUATE RESOURCES AND INSPIRED LEADERSHIP.

SOLDIERS YEARN FOR A CLIMATE OF COMMAND WHERE LEADERS TEACH, WHERE THEY KNOW THEIR NEEDS FOR BOTH THEMSELVES AND THEIR FAMILIES ARE CONSIDERED AND ADDRESSED AND WHERE RECOGNIZED ACHIEVEMENT AND TOLERANCE FOR HONEST MISTAKES FOSTERS PERSONAL AND PROFESSIONAL GROWTH. SOLDIERS WANT "STANDARD BEARERS"; LEADERS WHO INSIST ON AND MEET HIGH STANDARDS OF TRAINING, MAINTAINING, CARING, AND LEADING.

THE ARMY"S LEADERSHIP IS FOCUSED ON THESE REQUIREMENTS AND CONTINUES TO ACCEPT THESE CHALLENGES IN THE "YEAR OF TRAINING." AND I ASK FOR YOUR CONTINUED SUPPORT AND SENSITIVITY AS WE ENTER THIS MOST TRYING PERIOD WHEREIN HARD FISCAL DECISIONS MUST BE MADE AS WE TACKLE THE NEEDS OF THIS COUNTRY.

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE THE COMMITTEE AND SHALL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE ON ARMY PERSONNEL PROGRAMS.

MILITARY PAY

Senator **Glenn**. Thank you, General, very much.

And with regard to pay, I will not address each one of the items you brought up, but with regard to pay, I fought for it and I lost. I fought for it in the budget summit that we had before the holidays and I lost.

And I can assure you that I am very much aware of how much it lags, how much military pay on the average lags behind civilian pay, civil service pay. And we have to redress that.

We have been talking about it for the last 2 years. You cannot go on living on promises forever and seeing people scaled back in their total compensation package and still expect them to be happy in the service.

And I agree with you to the utmost extent on that. And I would have liked to have been able to get it through, not only this subcommittee, but the full committee and the Congress, but we just have not been able to do that, I can assure you that, because I think it is very important.

Admiral Edney, please go ahead.

STATEMENT OF ADM. LEON A. EDNEY, U.S. NAVY, CHIEF OF NAVAL PERSONNEL

Admiral **Edney**. Good morning. I appreciate the opportunity to appear before your subcommittee to discuss Navy manpower requirements. I have provided a written statement for the record and I will not address the important issues of retention and compensation this morning because I understood that will be the subject of the hearing on the 24th of March.

I would like to highlight a few manpower points. In developing the manpower and personnel program for fiscal year 1989 and in executing our fiscal year 1988 program, we have been driven by internal and external pressures to the limits of manpower efficiency.

The fact is our manpower has not been allowed to increase to match our growing force structures over the last several years, and we are drawing from our shore and support establishments to keep our fleet properly manned. We have eliminated the planned 9,600 enlisted growth for fiscal year 1989, and have reduced planned enlisted end strength by 20,000 across the 5-year defense plan.

We have reached the point where further reductions in strength will have a significant adverse impact on fleet readiness. In reviewing our officer growth of 8,342 from 1980 to 1986, it was mentioned by Mr. Green that OSD determined that 631 billets could not be validated. In most cases, these billets did not meet the military essentiality test and were considered convertible to civilian billets.

The fiscal year 1987 and 1988 congressionally mandated officer reductions, combined with fiscal year 1989 budget adjustment or budget summit requirements, have deleted 2,817 billets from officer strength presented in the fiscal year 1988–1989 biannual summary to Congress in January 1987.

Executing the remaining 4 percent officer reduction would result in an additional loss of 2,500 officers by the end of 1990. Mr. Green has already testified that the Navy is unable to sustain that without a significant impact on readiness.

The net result of such a reduction would bring the Navy 6,118 below that programmed for fiscal year 1990, with force levels already approved by this Congress. This would leave the Navy with fewer officers than it had in 1985, despite the addition of 56 ships and 12 aircraft squadrons.

Accommodating these reductions in fiscal year 1987 and 1988, while simultaneously bringing the additional ships and squadrons on the line, has drained the shore establishment and exhausted flexibility for further officer reductions. Additional cuts will have to come out of combat essential, combat and other support, as well as in the individual training accounts.

Manpower reductions, both officer and enlisted, have direct visible impact on our people. Navy operational tempo has not diminished. On the contrary, it has increased. Changes in the international scene going on today, as most clearly exemplified by our presence in the Persian Gulf, have sharply increased naval force requirements around the world.

We currently have 100 ships forward deployed in the Persian Gulf, Indian Ocean, the western Pacific, and the Mediterranean Sea. Faced with current and projected worldwide commitments and the intended tempo of naval operations, current combat force levels and adequate officer and enlisted manning of those forces must be maintained.

We also face additional demands for officers to meet the increased requirements for joint OSD assignments, such as the new unified transportation, space, and special operating commands.

There is also a need to protect the officer growth to meet our critical wartime medical specialties and meet the burgeoning peacetime health care needs of the Navy and the Marine Corps. As you are well aware, this is a very serious issue and we are behind the power curve on that issue.

These considerations in my judgment dictate that further mandated officer cuts be repealed. I agree with General Ono. You had a point, we have got it, and we are taking it on board, and we are working very hard to meet your requirements.

If we were to take further reductions in 1989 and 1990, as they are now on the books, the immediate impact would be an imbalance in the unrestricted line population between combat essential forces and other support areas. We would have and do have conflicting demands between the warfare officer requirements and pulling between longer joint staff requirements.

This would increase our sea time for officers, which causes declines in retention. Degraded depot and intermediate level maintenance of ships and aircraft would be associated with losses in the shore establishment. As we draw down further on essential logistics, supply, personnel, management and intelligence forces, they will also start to impact readiness.

Minimal new officer appointments and promotional opportunities would be available and would also affect the morale of the force. Those nearing completion of a career in the affected officer communities, if we go further, will have to be involuntarily retired, causing additional turbulance, with a ripple effect on out year retention.

Fiscal constraints make government civilian or even contractor support substitution an unattainable near term alternative, since the money simply is not available. The net result is a serious impact on our operational readiness should we proceed further down this line, and it will be at great personal expense to the dedicated men and women in our officer corps which you have spent an entire career and life supporting.

I therefore urge your support in cancelling the requirements for any further officer reductions and encourage that we work together to resolve any remaining issues. Mr. Chairman, we have done our best to lean out the Navy's officer corps, as well as our total enlisted end strength. But we have run out of flexibility and are at the point where further cuts will head us back to the turbulence and reduced combat readiness of a decade ago.

Our Navy and our Nation cannot afford to relive that trauma and the follow-on costs which we have just gone through, and which would be required, to shift the balance back to the high readiness of today's Navy. It is one lesson that we should not relive and relearn.

Thank you very much.

[See prepared statement of Admiral Edney on page 141.]

Senator GLENN. General Dillingham.

STATEMENT OF GEN. LARRY D. DILLINGHAM, U.S. AIR FORCE, DEPUTY CHIEF OF STAFF FOR PERSONNEL

General DILLINGHAM. It is a pleasure to be here with the committee. We have provided our written statement.

As we are well aware, the issues are tough in this time and the forecast is to be just as tough. I think it is difficult to assess the impact on the Air Force in fiscal year 1989 without taking into account the 1988 severe budget reduction both in O&M and the MPA account.

These actions that we have taken are not actions we were pleased with or proud of, but they are actions that the only saving grace is the alternatives we could have taken in the MPA accounts for reductions were worse.

Congressionally mandated officer cuts of 2 percent for DOD resulted in 3.2 percent for the Air Force, with loss of growth and over 4,100 officer authorizations cut. We will accomplish this reduction through a balance of reduced accessions, voluntary releases, and selected involuntary actions.

Enlisted man years have been reduced, and they are being accomplished by DOS rollback and selected early releases. The only way the Air Force found to cut dollars is to cut man years in the MPA account. Strength changes will effectively be done by the end of May of 1988.

Total military strength reductions from 1987 to 1988 will be over 31,000 personnel. The inventory for both the officers and the enlisted, as I stated, will be accomplished before the end of fiscal year 1988.

Both are level in 1988 and 1989, and manpower documentation will catch up, but the people are gone. O&M insufficiency has caused adverse civilian impacts. You are well aware of the release of temporary overhires, hiring and promotion freezes, early retirements, and finally consideration for furloughs—not because we want to, but because, as I said before, we ran out of other choices.

The year 1989 does not offer that much relief, but there are some significant issues that we must deal with prudently; 1988 force reductions will cause slowdown in promotions, undermanning, overworking in some areas, and general turbulence—probably just as important, fear for what is next.

It has some grave implications, and we have taken the reductions and our concern at this moment is for the retention of those top quality people that we have left.

The other critical item for the troops, of course, as you supported, the 4.3 percent pay raise. For the first time since the early eighties, the troops actually lost ground with inflation by 1.5 percent.

I think General Hickey had surmised before that we could tolerate being behind the civilian community maybe even as much as 10 or 11 percent, but the troops cannot lose buying power, and that is what they are doing now.

Variable housing allowance, also mentioned as a key concern. The troops have lost 8.5 percent over the past 2 years. Over 30,000 Air Force families, somewhat like the Army, had a lower January paycheck than December. The 2 percent pay raise disappeared with the variable housing allowance cut.

Sixty-four percent of the variable housing allowance recipients had a decline in their variable housing allowance.

It seems foolhardy to spend over a billion dollars for a pay raise and then destroy its impact trying to save $100 million. We need to get back to covering 85 percent of our people's housing costs.

And we also need, as was mentioned strongly by the Army, to stabilize the MWR program. We at DOD have gotten the word. DOD presented their completely revised program and Congress approved it just 3 months ago. The Air Force believes it is now time to implement that program and resist temptation to further tinker and revamp until we have been able to adjust to the many changes we have already made.

Resist the temptation to make arbitrary senior grade cuts because of the apparent shift that always comes with a rapid reduction like we were forced to make this year. Early outs and hiring freezes on the civilian side will cause higher percent of senior civilian grades temporarily.

Our legislative proposals will help reduce the right kinds of senior officers, but not as rapidly as we would like.

The big concern in the Air Force is the NCO corps. They are invaluable to us. They will be the capability that pulls us through the austere times we have at this time. Real numbers in the top five grades are reducing at a rate of 2,000 per year.

But in the short term, the percentage of the top five will be higher. If you force us to remove them from the Air Force, I fear that we will lose faith, morale, and motivation, and most importantly, we will lose the valuable asset we have left.

We must protect the NCO force.

Finally, special attention in the Air Force must be paid to our pilot retention. If we do nothing more than we have already done, we estimate that the pilot inventory will be 2,500 short by 1993, with only 19,500 left of our current 23,000 inventory.

The Navy shares our problems and has been working with us on this, and we will be shortly presenting you with a bonus proposal for aviators.

The Air Force is still not enamored with pilot bonuses, but we have exhausted all other options and actions we can think of. The bonus may not solve the entire pilot problem, but it will certainly reduce our deficit.

In the coming year we face some of the most troubling issues I have seen in my career. But we still have a strong Air Force and dedicated people. We expect to be a smaller Air Force in the future, but if we make the right choices I think that we can be a viable ready force for defense and freedom.

As you said, Mr. Chairman, we need to do the right thing for our Nation and our military personnel.

I stand ready, sir, to answer your questions.

[See prepared statement of General Dillingham on page 225.]

Senator GLENN. Thank you very much.

PILOT TRAINING COSTS

Just a comment before we go on to General Hudson. What does it cost these days to train a pilot? The old rule of thumb used to be about a million dollars by the time you got a person to the squadron.

General DILLINGHAM. Sir, about $1.8 to $1.9 million. That is after a pilot has gone through the advanced training in the F-15/F-16.

Senator GLENN. Nugget to squadron is about?

General DILLINGHAM. About $460,000 is our estimate, through the undergraduate pilot training program, for that year of training.

Mr. GREEN. Sir if I may, the other thing that is important is, by the time this person reaches the 6-year point where he is making the tough decision on staying or leaving, the service has spent about $6 million on him or her.

General DILLINGHAM. If I may make one correction, I think I said our Air Force reduction was 3,100, and it was 31,000 from 1987 to 1988.

Senator GLENN. General Hudson.

STATEMENT OF LT. GEN. JOHN I. HUDSON, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR MANPOWER

General HUDSON. It is an honor for me to address the Marine Corps manpower readiness, our needs for fiscal year 1989, and prospects for the future.

As you are aware, manpower is the Marine Corps' most valuable and most dynamic asset. There are many very important manpower-related programs that I have addressed in a prepared statement, sir, which you said would be entered into the record.

I would like to briefly mention just three of these which are of primary importance. These key issues are end strength, officers, and compensation. To meet the congressional budget reduction for fiscal year 1988, and to comply with the decision of the budget summit conference for fiscal year 1989, the Marine Corps had to reduce end strength in both years.

In fiscal year 1988, we reduced 2,500 enlisted marines from our authorized end strength. Our fiscal year 1989 end strength request has now been amended to 197,200, which is 2,900 below the 200,100 which was requested last year for fiscal year 1989.

I need to make clear the fact that these reductions were taken so that we would not have to completely destroy programs, such as the discretionary portion of the PCS and the selective reenlistment bonus, which are essential to maintaining a quality force.

They are reductions which we cannot afford to take. The obvious impact is decreased combat capability. The Commandant will in all likelihood have to reduce current active force structure by the equivalent of three reinforced infantry battalions in order to properly man the other units.

Mr. Green has covered in some detail Marine Corps officer cuts and I will not repeat that. But I must say, if the Marine Corps has to absorb a portion of the remaining 4 percent reductions, our officer manning of Fleet Marine Forces will be severely reduced, and our ability to man joint and external billets will decrease. In addition, we will have empty school seats that will in the long run severely decrease the professional knowledge of our officer corps.

Finally, sir, I would like to address compensation. We presently enjoy the highest quality force in the history of our Corps. We are, however, in constant competition with the civilian community to attract and maintain that quality. If we are to continue to be competitive, pay must be set and maintained at a level comparable to the civilian sector. We strongly urge passage of the proposed 4.3 percent pay raise for fiscal year 1989.

The high level of Marine Corps manpower readiness today is a result of long term planning, aggressive recruiting, efficient force management, and vital professional backing. As we move into these years of fiscal uncertainty, we must mutually ensure that the readiness and quality in which we have invested do not erode.

Thank you, sir.

[See prepared statement of General Hudson on page 209.]

Senator GLENN. Thank you all, gentlemen.

OFFICER STRENGTH REDUCTIONS

Mr. Green, we will start off with questioning. In his letter of March 1 this year transmitting the officer requirements report to us, Secretary Carlucci indicated that he was issuing guidance to Military Departments to execute the active duty strength reductions program for fiscal year 1989 in a balanced manner.

I read this to mean proposed officer strength reductions beyond fiscal year 1988 that would be consistent with your study and with fiscal year 1989 force structure changes. Although the letter indicated this issue would be addressed in your summary review of the services' program objective memorandum for development of the fiscal year 1988 budget, I had indicated to you in a meeting that we had that we needed this officer strength plan before subcommittee markup.

Do you have such a plan by service? What is it?

Mr. GREEN. We do have a sense of what the services are doing for fiscal year 1989 based on the additional cuts that came out of the officer requirements study. I do not know whether the services have finalized those or not.

Senator GLENN. What is the status of those plans and when will we get them? We would like to have those plans.

Admiral EDNEY. In the Navy, sir, plans for fiscal year 1989 have been finalized for the budget and, as I mentioned in my statement, they include leveling off, no futher growth.

As you recognize, we had additional enlisted and officer growth coming on the line to fill out the ships that will come on the line in the latter part of this decade. That means that we have eliminated 9,600 enlisted growth and we have eliminated 727 officer growth.

By the way, the officer growth and the enlisted are at the same ratio of 1 to 7. So the officer and enlisted ratio are being reduced.

Senator GLENN. When, Mr. Green, can we expect to get all of your reports?

Mr. Green, when will they be available to us?

Mr. GREEN. In the case of the Air Force and the Army cuts, we already have those, as I mentioned in testimony. I do not know that there should be any delay in getting those up. As I said, the Air Force is going to convert 500 in 1989 and the Army will cut 500 in 1989, and then they have some additional cuts in 1990.

Senator GLENN. Do we have any particular date that you plan to get all those reports together and send them over to us?

Mr. GREEN. We will have them to you before markup.

Senator GLENN. We would like to have them as soon as possible, so that we can review them before markup. We would like to have the earliest possible date we could expect to receive these reports.

Could you get them to us now or possibly later in the day?

Mr. GREEN. I will call Fred and give you the date.

Senator GLENN. Secretary Carlucci also indicated in his transmittal letter he is directing permanent improvements of the OSD manpower oversight process. We talked about that at considerable length. I talked with Secretary Carlucci about it also.

That is what got us into some of the altered ratio problems that caused us turmoil over the past couple of years. He indicates that he is directing permanent improvements.

You addressed this in your opening statement; can you give us any more specifics as to what is going to be done?

Mr. GREEN. As I said, in the near term, I am going to increase the size of my staff, probably to the consternation of the services. But we have got to be able to more carefully look at the requirements submitted during the budget development process, and we have got to be able to compare the consistency of those requirements with force structure.

We also have to ensure that the services are assessing what they are budgeting for. These are the kinds of things we need to oversee. In some cases, the services need to get their own internal systems talking to each other, so that we can ensure that what we are taking aboard agrees with the requirements.

Further, we need to clarify our policy guidance to the services and tighten up on our POM Evualuaton. guidance.

Senator GLENN. Evaluation process?

Mr. **Green**. Yes, sir, so the services are able to provide to us, so we can provide to the Congress, through the DMRR and other means, a track between what they are budgeting for and what they are assessing. There are a number of vehicles that we will use in working with the services to do that.

Senator **Glenn**. Good. And I hope you are moving ahead on that.

You have already indicated in your testimony, and others have commented on it, that your own study indicated about 23 percent or 7,733 of the officer growth between 1980 and 1986 was invalid.

Mr. **Green**. Yes, sir.

Senator **Glenn**. I think there is still a ways to go in this area. I am not saying we should have massive cuts, but another consideration here is what we call "brass creep" for lack of a better name. But I think the officer grade requirements need to be looked at very carefully.

Let me read a letter that came into our possession, just to give an example of this. I do not mean to single out any one service, but just as an example of what obviously is still going on in some of the services. This is in the Air Force, specifically in the Military Airlift Command.

This is not a fictitious letter. It is an actual letter that we happened to come by, and the subject is Military Airlift Command, MAC colonel resource, and it is to the entire MAC staff. Paragraph 1. This is dated January 8 of this year just a couple of months ago:

Paragraph 1:

> Manning levels of our line colonels and colonel selects are 126 percent Air Force wide, with MAC at 150 percent. We now have nearly 200 more colonels in the command than authorized colonel's billets and the situation is getting worse. The drawdown of the air and joint staffs and the 06 grade rollbacks in various positions will bring nearly 50 more colonels to MAC before summer's end. The problems are readily apparent and require a new way to manage the colonel force until ongoing programs help us out.

Paragraph 2:

> Recently I passed on guidance which advocated placing colonel selects in your challenging lieutenant colonel billets while they wait to pin on. This has CINCMAC's full support and we want to continue this policy. Additionally, our abundance of pinned-on colonels now gives us the flexibility to place colonels in meaningful jobs created by you to alleviate the work loads of your staffs or manage new programs.
>
> The bottom line is that, authorized billet or not, we have a lot of dedicated, hardworking colonels that need jobs and can help you. I ask that you be creative when establishing worthwhile employment. Every staff agency will share equitably in this situation. Major Mark Volcheff, my assistant for senior officer management, will be available to discuss all opportunity you may have. Please help us through these demanding times.

And it is signed.

That went out to the whole MAC command.

[The material referred to follows:]

DEPARTMENT OF THE AIR FORCE,
HEADQUARTERS MILITARY AIRLIFT COMMAND,
Scott Air Force Base, IL, January 8, 1988.

DP.
MAC Colonel Resource.
MAC STAFF (PLUS AWS).

1. Manning levels of our line colonels and colonel selects are 126 percent Air Force wide, with MAC at 150 percent. We now have nearly 200 more colonels in the command than authorized colonel's billets and the situation is getting worse. The

drawdown of the air and joint staffs and the 0–6 grade rollbacks in various positions will bring nearly 50 more colonels to MAC before summer's end. The problems are readily apparent and require a new way to manage the colonel force until ongoing programs help us out.

2. Recently I passed on guidance which advocated placing colonel selects in your challenging lieutenant colonel billets while they wait to pin on. This has CINCMAC's full support and we want to continue this policy. Additionally, our abundance of pinned-on colonels now gives us the flexibility to place colonels in meaningful jobs created by you to alleviate the work loads of your staffs or manage new programs. The bottom line is that, authorized billet or not, we have a lot of dedicated, hardworking colonels that need jobs and can help you. I ask that you be creative when establishing worthwhile employment. Every staff agency will share equitably in this situation. Major Mark Volcheff, my Assistant for Senior Officer Management, will be available to discuss all opportunities you may have. Please help us through these demanding times.

DONALD POST,
Colonel, USAF, Deputy Chief of Staff Personnel.

Senator GLENN. Now, this references colonels, and obviously it all flows downhill. How about the light colonels, the majors, the captains, lieutenants, right on down, the enlisted requirements and so on.

This is not something that is inconsequential. This is in the Military Airlift Command. We are talking about 250 colonel slots.

I bring this up to point out, not to belabor this, but we still have a long way to go in making sure that we do not have a lot of, I guess we could term this, brass WPA in this case. We are asking the commands to be creative in forming new jobs for people because we have excesses and we do not know what to do with them.

Now, that is not the way things are supposed to work. I have said repeatedly, I will support anything, absolutely anything in the military that adds to combat effectiveness, but not to this kind of WPA activity, that obviously needs some work on it, too.

Mr. Secretary, do you want to comment, or does General Dillingham want to comment on that?

General DILLINGHAM. I would like to. I do not have detailed information at this meeting on MAC's O6 manning, and I would like to answer for the record.

Senator GLENN. We would be glad to have any information you want to get back for the record. I do not want to spend the whole hearing this morning talking about this one case. I brought it up to indicate there is still a long way to go to get this whole thing under control.

General DILLINGHAM. And I would like to point out one comment that was made there. There is certainly nothing wrong with keeping colonel selects in viable lieutenant colonel jobs.

As you are very well aware, our very close control of officers in the services—so that one part, that does not answer the letter, and I would like to make an input.

Senator GLENN. Okay. I do not disagree with you one iota on that. Ordinarily, a person is put in as meaningful a job as possible when they have been selected for a promotion. There is a little delay period there; then they are promoted and move on to their job.

But what we are talking about is where the policy being stated in MAC is:

> Our abundance gives us the flexibility to place colonels in meaningful jobs created by you to alleviate the work loads of your staff, manage new programs.

And it goes on to say:

> The bottom line is that, authorized billet or not, we have a lot of dedicated, hard-working colonels that need jobs and that can help you. I ask that you be creative in establishing worthwhile employment.

That is what I question. I am sure you want to look into it.

Mr. GREEN. DOPMA is somewhat of a problem. It just does not always fit the requirements.

Senator GLENN. Maybe we need to alter something. It is a 1981 law and a lot of things have happened since then. Staff tells me that even under DOPMA you are never supposed to promote above requirements. Requirements of the services are supposed to prevail in any event.

And if there is anything in law that circumvents that, why, I would certainly like to know about it and we will take action to correct the law.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

Let me just say, Secretary Green, to blame this on DOPMA is not a smart thing to say. Let me just tell you that right off the top. This is really something that angers me and others who are trying to prevail upon the chairman to show—I hate to use the word "flexibility" because he is the most flexible and wonderful chairman we have. [Laughter.]

Senator GLENN. And that means the only one.

Senator MCCAIN. And then we get things like this, that cross our desk. And frankly, it is not defensible. This is not a defensible memo.

And when you are coming here telling us that you are making sacrifices to meet conditions of the legislation which was sponsored by our distinguished chairman and our ranking member Senator Wilson—if I were you, I strongly recommend you not try to defend that. You try and find out why such things are going on and do not blame it on DOPMA, because DOPMA does not have anything to do with that.

I am familiar with DOPMA as well, and DOPMA has nothing to do with this kind of thing, of trying to find creative work for selected colonels in the U.S. Air Force.

Mr. GREEN. Sir, I was not blaming this particular thing on DOPMA. All I was making was the point that DOPMA does not necessarily track with what the services' requirements are in a general sense. I was not relating it to this particular letter.

I agree there is no excuse for this.

Senator MCCAIN. Thank you.

Mr. Chairman, if I could just make a couple of remarks before I ask some questions. We have a serious problem here because I think the Congress' frustration has taken a meat axe approach to a very serious issue.

I see us trying to reduce the officer requirement on one hand and then I find us facing a near crisis on the other hand as far as pilot retention is concerned. And I have been briefed by both the Navy and the Air Force. We are experiencing an exodus that we have not seen, although this sometimes seems to be cyclical to an enormous degree, and yet at the same time we are dictating further cuts in the officer corps and in my view not taking into consideration the individual needs of the service.

I had a very good meeting with General Dillingham the other day, and General Dillingham assured me, not without enormous sacrifice, but still they are able to cope with this legislation.

And part of it has to do, frankly, with reduced expectations as to the number of tactical air wings and support personnel required due to budgetary reductions. Yet I look at the Navy and Marine Corps and they have a different set of circumstances, as does the Army.

And I think the mistake in this legislation in my view was to treat all services the same when we simply cannot do that, when each have different specific needs.

I would also point out, on the other side of the coin, to have credibility up here you need to do away with some of the redundant staffs and even headquarters that now exist, which have experienced steady, albeit slow in recent years, as far as growth is concerned.

To my knowledge, and I would love to be corrected, not one single headquarters command has been eliminated by any of the services. Not only should one single one be eliminated, but numerous ones should be in my view, in order to free up those officers to fill the critical billets which are going to need filling as the needs of the services, all of them, continue to grow in some way or another.

To reduce the size of staffs of headquarters to many of us is similar to cropping weeds, and as soon as the gardener diverts his attention elsewhere the weeds grow again.

RECRUITING MEDICAL PERSONNEL

I am concerned about several specific issues that are specific consequences of this legislation if there is not some relaxation. And the first question I guess I would ask you, Secretary Green, is the effect on recruiting of medical personnel, doctors and nurses in particular.

Could you tell the committee what impact that is having on the services' ability to recruit and retain qualified doctors and nurses?

And please feel free to respond to any of the insults I just hurled at you.

Mr. GREEN. Let me respond to one, sir, if I may. And that is, I do not know what the services might want to respond to on specific headquarters reductions, but one of the first things that Secretary Carlucci did when he moved from the NSC to the Pentagon was direct that a study of headquarters, both joint headquarters and service component headquarters, be made.

That has been completed. It is in the hands of the Chairman JCS to comment on, and I think he has 2 weeks, if I am not mistaken. There is probably another week remaining on the clock for him to come back to the Secretary on his recommendations on how we should proceed.

So Frank Carlucci is very sensitive to the same things you are in some of the "sleepier" headquarters that we may have around the world.

Senator McCAIN. Thank you. I will eagerly await that.

Now could you address the issue of the medical situation and any other area where you feel that compliance with this legislation restricts the ability of the services to carry out their commitments?

Mr. GREEN. Well, sir, I think that that legislation, the officer reduction legislation, is affecting the services across the board. I think that we have—in the cuts made in 1987 and 1988—scrubbed that pretty much to the bone.

I am not saying there are not some small numbers out there. There always are. But the services have cut deeply into the support structures, which is not good to the point that we do not think there is any fat left.

The 1989 cuts that we are making are going to be very painful to the services.

Senator McCAIN. In your prepared statement, you say you have identified over 4,000 additional officer billets to be deleted in fiscal year 1989 and 1990, primarily as a result of the force structure reductions being set in motion. Is it correct that you are now recommending that we either repeal or permanently hold in abeyance the statute requiring further officer reductions?

Mr. GREEN. Yes, it is. The reductions that we have identified or the services have identified in fiscal year 1989 and 1990 are primarily a fall-out of the end strength and force structure reductions that they are planning to take.

Senator McCAIN. Well, would not this plan or proposal that is on Secretary Carlucci's desk concerning reductions of headquarters have further impact?

Mr. GREEN. It may very well have further impact, but we do not know what the results of it are yet, other than what the initial survey came back with.

Senator McCAIN. I would like to have, perhaps for the record if it is too detailed, your recommendations concerning re-enlistment bonuses, and your recommendations as to what we need to do this year to try and stem this exodus of pilots from—primarily I understand the problem exists in the Navy and the Air Force.

The Marine Corps in their own unique style does not seem to, I guess because of their degree of brainwashing, does not have the problem that maybe the Air Force does, although I wonder if General Hudson could tell me if they anticipate a problem, or does General Ono?

General HUDSON. Senator, we do not have the problem, but I would like to say, yet. And we do anticipate as the total available manpower pool shrinks that we are likely to be facing the same problem that the Navy and the Air Force is.

We cannot see a time that I could tell you when we will.

General ONO. We echo what General Hudson has stated. At this moment the Army does not have a problem in retaining its pilots. We have supported the bill and reserve the right to possibly use some of the features of it if necessary at a later date.

Mr. GREEN. Sir, as you mentioned, you have been briefed by both of the services on the pilot problem, and I will not go through the shortages. In the case of the Navy they currently have a shortage of more than 1,000 and in the case of the Air Force they are projecting a shortage of 2,500 by fiscal year 1993.

I would only repeat a little of what I said before. We have got to do something to fix the exodus of pilots. The services are working hard on the quality of life issues. But my point is when we spend $6 million to get a person to the 6 year point, I think we are being penny-wise and pound-foolish not to try some other options that may keep him for a few more years and may get him to the point where the retirement pull keeps him in.

Senator McCain. Have you formulated specific recommendations?

Mr. Green. Yes, a legislative proposal will be up here within a very few days.

Senator McCain. Mr. Chairman, I have been informed that there will be more pilots hired this year by the airlines than the combined pilots graduating trained by the combined Navy, Marines, and Air Force, which is a very interesting statistic, particularly compared to other years when it was certainly a far different ratio than it is today.

Mr. Green. It is hard for the services to compete when they are paying an O3 (Captain) $41,000 and at the 10-year point he could make $171,000 with Delta Airlines.

Senator McCain. Not to belabor the subject, but just by coincidence yesterday we had a hearing with Mr. McArtor, who was before the Aviation Subcommittee, Commerce Committee, who is a former Air Force pilot himself, who was deeply concerned about the quality and training level of pilots that they are putting into the commercial airlines, particularly the commuter airliners, where the majority of accidents happened last year, in the commuter airliners, which gave us an accident rate worse than any year since back in 1974, which means to me that very soon the FAA is going to insist on a higher level of qualifications for their pilots, which means to me that the airlines are naturally going to turn more and more toward the military and let the marketplace prevail, which in my view will be large incentives to leave the military and be a part of the airlines, since there is certainly no foreseeable reduction or in fact there will be continued expansion in the commercial airlines for the foreseeable future.

I look forward to working with you. Do you have any more comments?

Mr. Green. Let me make one more point—going back to this MAC letter, and that is the Air Force in 1988 and 1989 are going to take 3,100 officers, and if they are given the flexibility that ought to help. If there are in fact O6 (colonel) surpluses, as this would indicate, that should help in that area.

Senator McCain. This also goes back to what the chairman was saying about grade creep. We want to make sure those cuts are in the right place, rather than either in accessions or in the middle grade, where we have obviously the future of the services lieing.

Mr. Green. Absolutely, and Secretary Carlucci has made that very clear to the service Secretaries and the service Chiefs, that within reasonable personnel management he wants those cuts to be balanced: officer-enlisted, and on the accession end as well as on the top end.

RE-ENLISTMENT BONUSES

Senator McCAIN. Finally, could I ask you for any other comments of you or any of the other witnesses concerning re-enlistment bonuses? Your recommendations?

General HUDSON. May I comment, sir? I asked my staff for some information on that subject because I wanted to come here and ask that those bonuses not be reduced, as they have been in the past.

Out of the blocks, this fiscal year in first term reenlistments we fell behind in every month October, November, December, and January. And by the end of January, we were more than 500 below our goal. And it was on the 1st of February that our SRB Program took full effect.

In February, we caught up, as a matter of fact, and went 500 over the goal. I think that is a pretty clear indication of what first termers are looking at and waiting for and what influences them to make the decision to stay or to go.

Senator McCAIN. I thought maybe it was the prospect of going to Nicaragua.

General ONO. Senator, for the Army, we have the same results that the Marine Corps have. As you know, at the beginning of this fiscal year, during the CRA period we did not have any selective re-enlistment bonuses. That formed a real live test as to its effectiveness.

And as General Hudson has just said, our re-enlistment statistics tumbled. The one most alarming point is that it tumbled in critical areas. This is a selective re-enlistment bonus, with the accent on the first word. It is targeted only to those areas where we have the most precious need to retain folks that we have paid so heavily for in regard to training.

It is a cost effective program. And we ask for your continued support along these lines.

SELECTIVE RE-ENLISTMENT AND ENLISTMENT BONUSES

Admiral EDNEY. We had the same experience, sir. There are two parts to the equation, both the selective re-enlistment bonus and the enlistment bonus. The enlistment bonuses are a very effective tool for us in getting the quality of high school graduate and the intellect to handle our nuclear power program and some of our Aegis operational specialists.

When we were without the enlistment bonus, in the 4-month period where we did not have the authorization, we went down to approximately 16 percent in new contracts of what we were bringing in during the same period in fiscal year 1987. That is a maximum $6,000 bonus for our nuclear power people that is paid after they complete the nuclear power training program.

So it is very effective and we got immediate reaction when we lost that capability. We certainly appreciate your support and ability to get a 5-year authorization for that, as we did with the SRB.

We had a similar direct result—by the way, while that EB was not available to us. For the first time in over 2 years we did not meet our nuclear accessions contracts that we are required to support.

In the selective re-enlistment bonus, we had the same measured effect. In those rates and capabilities that have immediate entry into the civilian job force, we also went down, as an example from 61 percent to 26 percent of our retention requirements for aviation anti-submarine warfare technicians in that time frame.

So we are convinced that it is a cost effective program and has immediate effect, and we need to continue to support that.

General **Dillingham**. The Air Force likewise supports the program. It is an essential program, although I would point out in a manner of economizing we have reduced or terminated payment levels in the 133 bonus zones where we found they were no longer needed in 1987, and similarly 76 of the traditional zones, deleting 39 skills from the selective re-enlistment bonus list.

But it is still a viable, important part, particularly in the critical skills that we need. We are talking aircraft maintenance and avionics and the ones that industries try to hire away from us.

So we strongly support the need for the bonus as it now exists. And if I may make one additional comment, I would like to point out for the record that the Air Force and I think some of the other services—that we have had a tremendous promotion slowdown.

And when we indicate slowdown, we are going back to the colonels situation, which I am not trying to directly answer that letter. I cannot. I will do that for the record. But the Air Force has already—and this has been as many as 3 or 4 months ago—anticipated that we may not have a need for an O6 board this year at all.

In other words, we would skip totally in 1988 a colonel and possibly even a lieutenant colonel board. The final decisions have not been made, but the best guess is there would be none.

Additionally, you know, both of you know, that promotion to colonel carries with it a 30-year tenure. And I think partly, as Secretary Green was talking about, that has some impact. We select on a best qualified basis for colonel, as for other grades, and not necessarily on what command distribution that we do have.

And again, I am not trying to dispute the letter. I would only like to enter those considerations, because they are becoming more and more of a problem. The delayed pin-on date for a colonel has extended out to almost 2 years.

Senator **McCain**. General, I do not wish to appear contentious and I am not intimately familiar with the situation, but is it not also true that the Air Force has early retirement, the authority to convene early retirement boards, and you have chosen not to use that management tool?

General **Dillingham**. That is correct, sir. During the past officer reductions, the Air Force has, on the basis of what we consider to be important to retain experience, focused on some reduced accessions, early releases from the service where the commitment might have been from a short training course. And we have also had some selected involuntary releases.

Prior to the officer cuts, the Air Force was retaining captains passed over twice to major selectively, and majors passed over to lieutenant colonel. By special screening board, we were retaining those people for the experience.

Since this time, we are now not allowing those people to remain in the Air Force unless there are some extenuating reasons, humanitarian or other. Pilots are excluded, I might add.

And we still, based on quality selection, are retaining almost 400 pilots this year out of about 414 past 20 years of service.

Senator McCAIN. Thank you.

Mr. Chairman, I would suggest a couple of priority items; the selective re-enlistment bonus and the aviation retention issue. Thank you, Mr. Chairman.

Senator GLENN. That will be the subject of our hearing on the 24th, so we will get into that in more detail then. I think the point we are making with the MAC letter, or the only thing I would like to follow up on—in addition, I know the Air Force is going to look at it.

But I hope this same thing is not going on and we just do not have people not putting memos in the file or passing them around, and the same thing is going on in other services. We are supposed to be considering our manpower strengths, our officer strengths, from the bottom up, not the other way around.

While I voted for the reorganization business last year, I urged the committee to start at the other end of the spectrum on this. My mind seems to work more from the combat end of things, and I was more interested in how we were organized down there than how the next echelon goes in supporting the people down there who are out there getting shot at should we ever go to war, and on up and on up, until you get to the Pentagon.

And you work it on a requirements basis, not just rearranging the deck chairs across the river and hope that everything works out all right on downhill.

And I believe that we did make some progress. I think it is better organized because of that now, or at least we have better potential for organization, anyway, I will put it that way.

But we can too often, I believe in the commands maybe say, well, we have always had this number, so that number is locked in and we could not possibly reduced old Bill. He is now the lieutenant general out there commanding something and we cannot reduce his officer strength.

The dickens we cannot. We had better be considering it on a combat basis and what his mission is out there, not just on the number of people in the command and go around trying to WPA them into jobs for a while to keep them busy someplace.

It is not just one or two people we are talking about. It is 200 colonels out there. That is a lot of folks. So that is our concern, that each one of the services is addressing this and how they are doing it. It is not just officer cuts, it is the allocation of the officer grade requirements within each service that you are going to have to be looking at if we are going to have validation.

And this is what we have been talking about for the last 3 years now, and that is validating these requirements. I think we are making progress in that area, but I think a lot more needs to be done, too.

Senator McCain brought up the medical issue. I think maybe there may have been some misunderstanding, because we exempted the medical from the officer cuts last year. We know that is critical. We have very critical shortages in some specialty areas of medicine.

Some of the figures that I recall off of the top of my head, I believe we are short 37,000 nurses, and we are short some 7,000 doctors. In some of the thorassic or orthopedic surgeon categories we were approximately 67 percent short in those areas, and the list goes on—anesthesiologist, 67 percent down; orthopedics, 72 percent down.

These are all negative numbers. General surgeons, 56 percent down; nurses, 52 percent down; nurse-anesthetist, 57 percent down.

We have tremendous needs in the medical area. I termed it last year as being closer to a war-stopper than anything I could imagine. I consider medical as being a prime war-stopper. If I am going to be in combat, I guarantee you I want the medics there in case something happens to me, and all the people you represent do, too.

ACTIVE FORCE STRENGTH LEVELS

Regarding active force strength levels, let me address that for just a moment. Ordinarily, we would get the justification with the submission of the budget or we would expect to get it. However, I do not believe we have received the Defense Manpower Requirements Report as of yet.

Mr. **Green**. No, sir. That is what we are doing. We are modifying that report to track with the methodology that we surfaced in the officer requirements study.

Senator **Glenn**. On the overall strength levels, since we lack justification at this point to get into it and really do the detailed job the committee is supposed to do, let me ask, Mr. Green, do you believe that the services are adequately resourced in fiscal year 1989 as far as manpower is concerned to do the combat job that they are required to do?

Mr. **Green**. We do not feel that there is a funding problem for 1989. The Army has identified the shortage of $84 million in fiscal year 1988 because of a problem with transfer authority, but as of now we do not see a problem for 1989.

Senator **Glenn**. But the numbers of people, just personnel cuts that you propose for this coming year, can we still do the combat job the way it is supposed to be done?

Mr. **Green**. That goes back to what Secretary Carlucci has raised a number of times. We are still going to continue to do the job, but we are going to do it at significantly greater risk. Nobody is taking missions away from us. We are still sending the Navy to the Persian Gulf, and we are still flying aircraft and we are still maintaining optempo, but the relative risk is going to go up.

Senator **Glenn**. Any comment on your individual services in that regard?

No one wants to ante up and say no, we are up to the point where we really cannot do our job, but if you are getting close to it, you had better let us know so we can help you out over here.

General **Ono**. May I speak on behalf of the Army?

In 1988 and 1989 our strength would be at 772,300. The man years that are budgeted for in 1988 total 770,000, which means it is shy, and in 1989 it goes down deeper, to 765,000 manyears. So what we plan to do is to manage the manyears judiciously and maintain our readiness and warfighting capability as high as possible. But there will be an undermanning of the force through this year, as well as, next year. We plan to be as careful as we can in regard to managing that effort.

SEMI-HOLLOW UNITS

Senator GLENN. Are you resorting to any semi-hollow units?

General ONO. Sir, there will be times when we will not have the total numbers that we are authorized, but to use the term hollow would be an exaggeration, I believe. We will try to be as careful as we can in making sure the readiness part of our Army is kept up at all periods.

Senator GLENN. Does this mean that we are becoming more and more dependent, then, on Reserve mobilization to do the job that has to be done?

General ONO. That is part of it. I am responding in regard to the budget and what we can bring aboard in regard to it, and we think we can do the job.

Senator GLENN. Are there certain functions the Army has not performed that you think should be pulled back from the Reserves as far as manpower in certain areas, put back into the regular establishment?

General ONO. That is under constant review, and there are functions that go to the Reserves and some that are transferred back and forth on a periodic basis, and that is being done.

Senator GLENN. The reason I asked you in particular is because General "Shy" Meyer, when he was Chief of Staff of the Army, indicated some doubt. He indicated he was beginning to feel we had transferred too many functions to the Reserve and the Guard, more than they could probably perform and we could rely upon, I believe that was the general gist of his statement, and he wondered whether we should not do a very indepth study to see if maybe we had gone too far in this total force concept that we have been on since 1973, or whenever it was started.

Do you have any studies under way on that?

TOTAL FORCE INITIATIVE

Mr. GREEN. As I mentioned in my opening statement, the Total Force Initiative will do just that, we hope. We are going to begin with viewing the way the services compute their requirements—Active, Reserve component and civilian. We have got to feel comfortable that we are doing the right thing, that we are not just continuing to load up the Reserve and not providing them the resources to be combat ready. We are going to start from square one and look at that whole process.

General HUDSON. Senator, the Commandant of the Marine Corps has let it be known that a 2,900 loss in end strength is a direct loss of combat capability to the Corps. He has said that the Corps will take what we are given and do what we must, but I can tell you that General Gray does not feel it is in the best interests of the United States that he is faced with the prospect of working with three less infantry battalions.

Senator **Glenn**. I agree with that, and I know you will take the cuts you have to and do what you must, but you cannot run everything. I spent 23 years in the Corps myself, and you cannot do everything on espirt de corps. If a job is going to be applied, you need certain support functions, equipment, and organization to do the job you are required to do, and that is what we are here to try to ferret out, what that level really is, and if you are really getting to the point where any of the services feel they are really being pushed hard enough, they cannot do their job, we have to know it.

Let me bring up one example. To my knowledge these figures have been about the same for the last 2 maybe even 3 years, where 55 percent of Army combat support and combat service support units in the Reserve are classed as C–4 or below, which is not combat ready. And yet these are units we rely on. And as far as I can see we have not really done a whole lot about it over the last 3 years.

Now, that is an area that has to be addressed or we are just living in a fool's paradise, we are in a dream world as to what our real combat capability is.

And I have asked questions in hearings on that particular subject for I know at least the last 2 or maybe 3 years, and yet we do not seem to see any reorganization or realignment.

If the Reserves cannot hack it and I am not saying they cannot, and I am sure the Reserve representative is in the room here, and will take umbrage at the fact that I did not bring that up, but we are talking about combat capability, not whose feelings may be bruised a little bit. If a combat functions cannot be performed or is not being manned properly in a ready status by outfits we are relying on, then we have to realign back to the Regular services or something. I do not know what we can do but we cannot just toss a figure out there and not have those figures filled and expect that if we go to war to be able to meet our commitments.

We will not be able to do that. So I hope you are scrubbing that across the board, each one of you and also the Secretary.

Maybe we need a general study on this, Mr. Secretary, a more thorough study than we have done in the past on the role of the Guard and the Reserve and the total force concept, that really goes into it in a very thorough way to make sure we are not deluding ourselves on what our real combat capability is.

Admiral **Edney**. Mr. Chairman, if I might add from the Navy's point of view. On your question of the adequacy of the combat fill of our ships, we are maintaining the combat fill of our ships, and we are doing it by drawing down out of the shore establishment. Some of the things that bother me the most that we have to consider is when we do this adjustment. You do not have round pegs in round holes, as an example. When we dropped the 16 frigates, that was approximately 4,500 manpower, that 4,500 is being counted, as an example, by the aircraft carrier, *Abraham Lincoln* pre-commissioning crew, and the six Aegis cruisers that are coming on line this year, and the four LSTs.

What you have here is that we are taking an additional 2,700 people out of the shore establishment to ensure that we have a combat ready fleet. There are two things that I have lost flexibility in and are of increasing concern to me. One is the people that come off the frigates do not go on to the *Lincoln* and the Aegis cruisers. We have to retrain them in gas turbine technology, we have to retrain them in an advanced technology, and so that equates to personnel change of station and a lot of complexity in what the sailor sees immediately.

And the other thing it equates to, when we start rebalancing toward the fleet, is longer sea tours out there. Once again, when the permanent change of station comes up and he has had 4 years at sea and we cannot move him on time, as we did this year, the perception of the sailor is he is getting ripped off.

And so what I say to you is that we are manning the fleet, and we will be ready to fight and win, but it is getting awfully thin out there.

General DILLINGHAM. If I may add for the Air Force a concern this year, fiscal year 1988; we have been looking at and have requested a foreign currency fluctuation account be established. As you know, the dollar and the movement in both Europe and the Pacific, particularly Japan, has been severe. In the MPA account right now for fiscal year 1988, if we do not get an overall foreign currency account to absorb those changes, we are looking at approximately a $200 million shortfall. We started out the year with a $500 million shortfall in MPA alone. So we have taken a lot of action, but this is a critical issue for us at this moment. General Hickey is most concerned about that. That does have some impact on what we are going to be able to do in the other programs.

And as the Secretary had mentioned, the Air Force has come forward and provided some 500 positions that we feel we could convert to civilian positions, both this 1989 and 1990 time frame, 1,000 positions. That proposal and entire action is contingent upon the need for transfer authority for 1989 and 1990 to make those transfers from MPA over to the civilian pay account.

Senator GLENN. Would that still leave you the combat flexibility of mobilization transfer, movements of squadrons, people and so on, if you transferred those functions over to civilians?

General DILLINGHAM. Yes, sir, we are talking in this case rather small amounts of funds transfer. The overall problem with the fluctuation of foreign currency is a much more severe and larger problem.

Senator GLENN. I have a number of subjects here that I wanted to address, but we are running out of time, and I am going to run through some of them but we will have additional questions to be submitted to you for inclusion in the record.

Frocking, general and flag officer strengths, Defense Agency manpower, women in the military, Air Force ROTC, enlisted involuntary separations, I will run through some of these as rapidly as we can here.

We have a whole plate full of issues we want to get into but it seems we never have enough hearing time to do the thorough job we would like to do. Consequently we will have to do the best we can with your submission of statements to us, and the Defense Manpower Report that you are going to submit.

FROCKING

Earlier you mentioned frocking. I would like to ask a few questions on that. To follow up on the hearing that we had on March 3 on the subject of officer promotions, for those not familiar with the issue, frocking is the term that is given to the practice of allowing an individual to assume a higher rank before he is actually promoted, sort of filling-in in that spot. It came out at the hearing that the Department of Defense has a policy that allows the military services to frock up to 95 officers to the one star rank. In effect, this means the military services can circumvent the ceiling set by the Congress on the number of general and flag officers they can have on active duty. In other words, they have 95 more than the legal limit of 1,073.

Is that being done, Mr. Green? How do you explain this circumvention of the legal limit on general and flag officers established by Congress. What effect, if any, would a prohibition on future frocking to one star rank have on combat readiness? How many officers of the military services have frocked to two star rank? And how should we try to control this?

Mr. GREEN. Sir, let me say that you are right, we do have a self-imposed frocking ceiling of 95 at the one star level. All the services are using that. It might be some consolation to know that we have gone from 139 general flag officers frocked in 1985 down to a current number of 72. The 95 is a self-imposed ceiling, but we are not there. We are at 72 right now.

It may be seen as a circumvention, but we see it more as an essential way to provide for maximum effectiveness in the designated billet. These are officers who have been nominated by the President and approved by the Senate and are assigned to a billet commensurate with their new grade, and they have to be certified by the services as being essential.

Senator GLENN. Does this add to combat capability?

Mr. GREEN. I think it certainly adds to the officer's effectiveness. These are positions such as assistant division commanders in the Army. They are general officer billets, and some are in embassies where, for political reasons, we have been asked to provide flag or general officers. In the case of the Navy, we have the Commander, Naval Special Warfare Command, for example, who is a frocked one star. In the Air Force we have——

Senator GLENN. What command is that?

Mr. GREEN. Commander of Naval Special Warfare Command is a frocked position.

Admiral EDNEY. That is our new Special Operating Force associated with the CINCSOF.

Senator GLENN. Is that because he has to have rank with other people he is working with? What is the reason for that?

Admiral EDNEY. Our frocking policy in the Navy, sir, is that the only people we frock are those people going into flag level commands. The answer to your question is yes, it could be the reason you just gave, or because you are operating with foreign countries that have that level of operation. Also, on the Joint Staff because, as you know, we are having difficulty with Title IV requirements, and when we send people down to the Joint Staff, we frock them going down there.

The limitations give me trouble, as I try to make all flag assignments. We have 257 flag authorizations in the Navy. Right now I have this year's list which is awaiting confirmation, but I have half of those in a nomination status. As an example, the prospective Commander of the Caribbean Forces, when he relieves down there, he would have to relieve as a captain, a two-star flag, and there is no more pay involved in it, and it is really not a statute. It is just a matter of effectiveness in the command operations.

Mr. GREEN. Sir, in the non-flag officer area, which you may not be as concerned with because they tend not to be seen as circumvention, again, we have gone from almost 4,000 in 1985 down to 700 today.

You will have a letter tomorrow in response to the questions you asked in the hearing on the March 3 which lays all of this out.

GENERAL AND FLAG OFFICER STRENGTHS

Senator GLENN. Moving on, in the general and flag officer strengths, in the Defense Authorization Act for the fiscal years 1988 and 1989, Congress provided the Secretary of Defense the authority to realign a limited number of three and four star general officer billets among the military services as long as the overall ceiling for these grades is not exceeded.

Has that authority been exercised? If so, what are the realignments, and what were you planning to do on any realignments of three and four star officer billets in the future?

Mr. GREEN. That authority has not yet been exercised. It is with the Joint Chiefs for comment. It is all tied in with the Hay study of the overall general officer manning. Those two have to fit together before we reallocate.

Senator GLENN. That is the study you referred to earlier.

When will that be completed?

Mr. GREEN. The study is essentially complete. It is undergoing review by the services and the Joint Staff, and they are commenting on the Hay study recommendations. And then we will decide ultimately which recommendations we are going to take.

Senator GLENN. You also indicate in your statement that Secretary Carlucci has requested relief from the fiscal year 1989 strength reduction mandated by DOD Reorganization Act of 1986 on the Defense Agencies. Defense Agencies have already taken a 5-percent reduction in fiscal year 1988, and the DOD Reorganization Act requires a further 10-percent reduction in fiscal year 1989.

Do you have an analysis of that, or do you have analytical backup on which to base your request?

Mr. GREEN. I am sure we do. I do not have it here, sir.

Senator GLENN. Could you supply that for the record.

[The information follows:]

ASSISTANT SECRETARY OF DEFENSE,
FORCE MANAGEMENT AND PERSONNEL,
Washington, DC, May 13, 1988.

Hon. JOHN GLENN,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The enclosed letter from Secretary Carlucci to Senator Nunn, dated April 22, and accompanying Defense Agency analysis requests relief from the additional manpower reductions mandated by the DoD Reorganization Act for FY 1989. This information is provided in response to your request, at the March 17, subcommittee hearing, that we provide analytical backup to support our position.

We believe that the manpower reductions, incorporated into the Amended President's Budget for FY 1989 (46,000 active military and 23,000 civilian personnel) more than satisfy the reduction targets set for Defense Agencies and Field Activities under the Goldwater-Nichols Act. I request your support for our position that any further manpower reductions to Defense Agencies would be counter to the effective support of national defense requirements.

Sincerely,

GRANT S. GREEN, Jr.

Enclosure: As stated.

DEPARTMENT OF DEFENSE,
Washington, DC, April 22, 1988.

Hon. SAM NUNN,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This letter is a follow-up to our conversation on Defense Agencies. As you recall, in a March 2 letter, I notified you of the FY 1988 reductions allocated to Defense Agencies and Field Activities in compliance with the Goldwater-Nichols Act. The total reduction was 4,921 from the manpower level authorized for FY 1988. This reduction is equal to 5 percent of the number authorized in FY 1986.

While the size of the FY 1988 Defense Agency reduction required by the law might be re-interpreted in ways which set higher reduction targets, the Department of Defense as a whole has reduced the FY 1988 manpower request by 34,000 active military personnel and 11,000 civilian personnel in response to the budget summit agreement. This amount, in total, is a reduction far in excess of any interpretation of Goldwater-Nichols provisions and would be an exercising of the reallocation authority granted me by the law.

I believe that we have reduced Defense Agency manpower down to the bare minimum. The hard choices we had to make in the budget, coupled with the FY 1988 reductions under Goldwater-Nichols, have forced us as low as we should go.

It is important to remember that every Defense Agency and Field Activity was created in the spirit of joint, cost-effective support of military missions. The four distinct studies of Defense Agencies mandated under the Goldwater-Nichols Reorganization Act uniformly found that function performed by Defense Agencies were not only essential and efficiently managed, but in many cases needed additional manpower in order to perform required missions.

A number of actions have added additional workload to selected Defense Agencies. For example, the Intermediate Range Nuclear Force (INF) Treaty increases workload in certain Agencies, such as the Defense Nuclear Agency, and established the requirement for the On-Site Inspection Agency (OSIA). Because OSIA was established after the passage of Goldwater-Nichols, I specifically request that these resources be exempt from the ceiling in FY 1989 and beyond.

As you know under Goldwater-Nichols, I have the authority to allocate the remaining Defense Agency reductions. The Amended Budget Submission (ABS) for FY 1989 already has reduced total DOD manpower levels by 69,000 (46,000 active military and 23,000 civilian personnel). Approximately 3,000 of these reductions come from the Defense Agencies. I strongly believe that additional reductions to the Military Services or Defense Agencies under Goldwater-Nichols would be counter to the effective support of national defense requirements. Accordingly, since the DOD-wide manpower cuts that we have already taken more than satisfy reduction targets set for Defense Agencies and Field Activities, I request your support for the position that no additional reductions to the Defense Agencies and Field Activities are required under Goldwater-Nichols Act.

Sincerely,

FRANK C. CARLUCCI.

EFFECTS OF DOD REORGANIZATION ACT MANPOWER REDUCTIONS IN FISCAL YEAR 1989

Below are examples of the negative consequences of the additional 5 percent reductions in manpower required in Defense Agencies in FY 1989.

DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

Any further manpower reductions will severely handicap DARPA in the technical management of its programs and its ability to provide adequate security for highly classified efforts. Such cuts would run directly counter to Congress' charge to DARPA in the Defense Reorganization Act that the Agency should expand its role in "prototyping and other advanced development work on joint programs . . ." An additional burden was imposed when Congress transferred advanced submarine technology programs to DARPA. Manpower shortages will also hinder a response to the DOD Inspector General's Office that in 1987 advocated strengthening DARPA's Special Access Programs.

DEFENSE COMMUNICATIONS AGENCY

The DOD Reorganization Act requires inconsistent actions from DCA. On the one hand, DCA must give greater support to world-wide Commanders while, on the other hand, the Agency must significantly reduce its 1989 work force. Shortages of manpower will greatly hamper meeting the demands already imposed by previously approved programs in the areas of architecture development, command center engineering, and the Worldwide Military Command and Control System. Additional manpower cuts will also prevent consolidation of all common-user, Government-owned, military, long-haul communications requirements under DCA's industrial funds.

DEFENSE CONTRACT AUDIT AGENCY

The required manpower cut in FY 1989 would severely hamper DCAA's audit activities in two areas, reviews of claims for incurred cost and detection of defective pricing. Federal Acquisition Regulations require audits of contractors' statements of costs incurred. The projected loss of 167 work years would increase the backlog of cost reviews by $8 billion in 1989 alone. As a result, many unjustified contractor claims may not be discovered causing the Government to pay more than it should. Some inappropriate or even fraudulent billing practices may go undetected. In some cases, delays in audits may prevent timely payment of legitimate claims and lead to hardship among smaller contractors.

The other major impact of the manpower reduction would be a projected drop of 305 work years in defective pricing reviews. These examine whether a contract price was unduly increased because a contractor failed to furnish accurate, complete, or current cost information. This will keep DCAA from following GAO's recommendation that such reviews be expanded for smaller contracts.

DEFENSE INVESTIGATIVE SERVICE

The mandated 1989 reductions would dramatically reduce the number of personnel security investigations that can be completed. The greatest effect would be in periodic reinvestigations which would fall by 70,000 next fiscal year. Such decreases in output would prevent DOD from fully meeting the recommendations of the Stillwell Commission that called for increased security efforts to prevent foreign espionage.

The projected loss of 40 spaces in the Industrial Security Program would greatly hamper DIS' effort to ensure the protection of sensitive technology from foreign spying. The number of delinquent industrial inspections is expected to increase from 1700 to 2200. Equally important, DIS representatives will have less time available to advise and assist U.S. industries on how to prevent damaging compromises of vital technology.

DEFENSE LOGISTICS AGENCY

DLA's everyday burden of filling 115,000 requisitions, awarding over 13,000 line items, and paying over 7,500 invoices leaves no slack for absorbing the directed manpower reductions. Cutbacks will be necessary in a number of vital areas such as quality control, a subject of direct Congressional interest. The inevitable result will be the entry of more non-conforming products into the DOD inventory which will, in turn, diminish readiness and, possibly, safety. DLA managed parts are used in 1052 weapon systems. Fewer workers will mean more frequent lack of parts that will keep some very expensive aircraft, armored vehicles, and missiles out of service. DLA buys almost all food used by DOD. Shortages in food for both the troops and in the commissaries can be expected.

DEFENSE MAPPING AGENCY

The Goldwater-Nichols DoD Reorganization Act would necessarily cause DMA to reorder its priorities by lowering support provided to commanders world-wide. The concrete result would be more cases of outdated or unavailable maps and charts. A lack of digital maps would restrict the operation of several modern weapon systems. A manpower cut would mean that products in some of the areas most likely to become trouble spots will not be produced, thus lowering the ability of the U.S. to respond to many contingencies.

DEFENSE NUCLEAR AGENCY

DNA will not be able to satisfy specific missions including analyses, experiments, and tests necessary to support the Services, Unified Commands, Joint Commands, SDI, Rail Garrison technology, and the On-Site Inspection Agency with reduced manpower.

DEFENSE SECURITY ASSISTANCE AGENCY

A 5 percent reduction in FY 1989 would have several negative results for DSAA's ability to perform its mission. As one example, the Agency would have to cut back on the detailed scrutiny of security assistance funded commercial contracts for evidence of fraud, waste, or abuse. Another effect would be longer processing time for commercial contract invoices. Also slowed would be responses to applications from foreign governments for foreign military sales.

STRATEGIC DEFENSE INITIATIVE ORGANIZATION

During the current crucial demonstration and validation phase, the directed 5 percent manpower reduction would have the following negative consequences for SDIO.

Inadequate manpower to manage the development of SDI technologies, cost estimates, and schedules for proceeding to the next phase of the acquisition process.

Potential increases in costs and delays in schedules for all SDIO programs, particularly in vital technology integration experiments.

ACTIVITIES IN OTHER DEFENSE AGENCIES AND THE OFFICE OF THE SECRETARY OF DEFENSE

Any additional manpower cuts in the remaining Defense Agencies and the Office of the Secretary of Defense will lessen effectiveness in completing assigned mission. Below are a few examples of the areas likely to be hurt.

The Office of Economic Adjustment would have to postpone some Congressionally directed scheduled fiscal analyses to help resolve on-base school construction problems.

The Defense Medical Facilities Office will be hampered in planning for the $2.2 billion Defense Medical Military Construction Program. Similar delays and even program terminations will be necessary at the Defense Medical Systems Support Center and the Office of the Civilian Health and Medical Program of the Uniformed Services.

The DoD Office of Dependent Schools would suffer a staff reduction of 661 with very negative effects for student-teacher ratios and programs offered to those with special training needs.

WOMEN IN THE MILITARY

The next question I have is on women in the military. Senator Proxmire and Senator Cohen have introduced a bill, S. 581, which would increase the combat support assignments open to women in the armed services. Specifically, the bill provides for the assignment of women to all units in the Army that have as their mission the direct support of combat units, the assignment of women in the Navy to all combat support vessels, and the assignment of women in the Air Force to duty in reconnaissance, training, or transport aircraft.

In February of this year Secretary Carlucci announced several major policy initiatives that will open more opportunities for women in the military.

Can you outline any of those for us briefly this morning, and also whether these initiatives square with the Proxmire-Cohen legislation?

Mr. GREEN. Sir, we believe the recommendations of the DOD task force on women in the military to include the decisions concerning the services' review of women in noncombat units, and applying the risk rule, do accomplish the full intent of that law. We see no reason for the Proxmire-Cohen legislation. We have opened up about 10,000 additional spaces for women. We have opened up a number of different types of units, combat logistics ships, Air Force Red Horse Squadrons, Aerial Port Squadrons, and Marine Corps security guards. Subsequently, we directed each of the services to go back and take another look using the risk rule. This rule essentially says that women may be excluded from serving in, as defined by the law, any noncombat unit which exposes them to generally the same risk that a person would be exposed to in a combat unit.

The services are due to come back to us within about 60 more days with the results of that analysis. It specifically asks the Army to address battlefield location as one of the criteria.

Senator GLENN. I am amused at some of the interpretations of this. It is supposed to include women not in combat, per se, but yet in combat support roles. In the Navy, for instance, I believe you now have women aboard fleet oilers?

Mr. GREEN. Yes.

Senator GLENN. Back when I was still flying, if you are out against an enemy ship formation, one of your priority targets was supposed to be the oilers and supply ships because if you get them, the rest of the fleet is going to come to a halt pretty quick anyway, and you can pick them off at your leisure later on. So those were priority combat targets back in the old days.

Is that still the case in Navy doctrine? If so, why are women being placed on a prime target?

Admiral EDNEY. The criteria is there, and I think everyone has to recognize and the Nation has to recognize that we are not saying that these women will not be at risk and they will not be targets. The law precludes them, as written, from engaging in combat, and we have defined combat in the Navy as a unit, a squadron or a task organization that seeks out and engages the enemy. For the combat logistics force ships, what we did there was we split out so we got 37 combat logistics force ships—we split out the AOR and

AOE because they are designed to go 27 knots and replenish and engage with the battle group, other ships, and ammunition ships, the AO that only goes 15 knots, and the AFS that goes even slower.

The rationale there was that the battle group commander would not replenish when he is out of bullets. He would bring his ship back, and they would do the replenishment in an area where you had the submarine situation under control and you had the air and surface battle under control.

So using that judgment, everybody should understand, when these ships transit straits, they are going to be targets of submarines. Although their mission is not to engage and seek out the enemy in combat, they are going to be sunk, and women are going to die in the way we are engaging them in the force today.

ROLE OF WOMEN IN THE MILITARY

Senator GLENN. Is the study of the role of women in military still being conducted?

The reason I asked is that the last study I believe received which was somewhere in the neighborhood of 3 or 4 years ago—staff correct me if I am wrong—but at that time, we calculated that it was something, if I remember correctly, around 68 percent of the MOS's in the military just across the board were jobs that could be filled just as well by women as by men. Now when you get into the combat role, then it is a little different, such as where you need upper body strength to carry a 70-pound base plate or whatever it was, you then get into other considerations there.

But it was at least two-thirds of the specialties in the services where women could perform every bit as well as men, and I trust that we are continually studying that to see what areas can still be.

Mr. GREEN. Absolutely, and that is part of what the study did, and that is part of what the services are reviewing now. The Air Force, for example, correct me if I am wrong, but I think about 98 percent or so of Air Force skills are open to women. The Marine Corps is the lowest, for obvious reasons, because they are heavily oriented toward the combat skills.

Overall, DOD-wide, I think we are somewhere in the neighborhood of 85 or 87 percent, of skills are open to women.

WOMEN PILOTS

Senator GLENN. We are making great progress in these areas, and I hope it will continue. The women obviously have a great interest in that area. They feel the MOS's that are open to them affect their career paths, and it does. There is not any doubt about that.

I had occasion to fly out aboard the *Kennedy*, off of Norfolk just a couple of months ago with a group going out on a cod flight. We went out of Andrews one morning, and I do not know whether it was done for my benefit or not, but we had a lady pilot who took us aboard and made the tailhook landing that morning. I do not know if that just happened to be luck of the draw or if it was done for my benefit, but either way, I enjoyed it, and she made a good landing, I might also add.

Admiral **Edney**. The quality of our women pilots is extremely high. You might be interested to note, we have the first women commanding officer of a squadron. It will be a VQ, electronic warfare. They are flying the A-7 aircraft out there, and we have our second woman already selected for command of an aircraft squadron.

Mr. **Green**. One last thing. I think you know Mr. Carlucci well enough to know that he is not going to let the issue of women in the military languish.

AIR FORCE ROTC

Senator **Glenn**. Air Force ROTC.

General Dillingham, the Air Force has announced the closure of 37 Air Force ROTC detachments. You touched briefly on that in your written statement, I believe.

What criteria are you using to decide which detachments will be closed? What is the delay between graduation and going on active duty for ROTC graduates in the Air Force? What is the need for detachments?

Obviously this is of great importance to colleges and universities that have such programs, when they are taken off campus, and I would ask the others to be prepared to comment on campus officer training programs also.

General **Dillingham**. Sir, as you have indicated, the Secretary of the Air Force approved the proposal to close 30 Air Force ROTC units and combine seven with other nearby, across-town units. That leaves us with 114 remaining, and many of those locations we selected to close, have Army and/or Navy representation. The criteria used was rather extensive. They looked at both the cost from a sunk cost standpoint, overhead, then they looked beyond that at the other actual costs of training per student. They looked at the third factor, officer production, the actual number, the engineer production was the fourth criteria; minority production was a fifth criteria. Sixth was academic quality overall, and then finally, seventh, undergraduate market size and share.

So each university within this entire spectrum was graded numerically in those seven categories, and then were just ranked ordered. The reduced requirement in the officer accessions has hit, of course, OTS, our Office Training School, was drawn down well below the 1,200 level, to about 975 in the current year, our flexibility for production. The Air Force Academy has not grown. The ROTC production requirement decreased considerably.

So this was an economical effort on the Air Force to get still the top quality graduates with fewer entrance points but yet still having good access.

Your question concerning the delay in getting in, obviously that is changing somewhat, but for our rated pilots and navigators, it is still running about 5 to 7 months, and that has not really changed. We have seen some slight increase in the non-rated line officers coming in up from 6 months to about 8 months. The Air Force has a commitment, and I am sure OSD, to bring these people in within a year's period of time.

Right now we have about 1,150 graduates that are "on our books" who we are interested in bringing in. We are looking at another 2,400 in the May-June graduation time frame, sir.

Senator GLENN. Your officer requirements have gone along on a rather steady basis?

General DILLINGHAM. No, sir.

Senator GLENN. That has gone down?

General DILLINGHAM. Yes, sir. We have gone down 4,100 positions.

Senator GLENN. Would that be reflected in closing the 37 that I believe you are closing? Does it require that many closures to match that reduction? Is that an approximate match?

General DILLINGHAM. It is not a good total comparison because of our multiple source of commissioning, as I mentioned. That is one factor. That is a reasonable number based on the economics and the cost. Some of these universities, the costs per student were tremendously out of line with others, and it will save us in excess of $10 million a year by closing these 30 universities and consolidating seven others.

Senator GLENN. What percent of your officers come from ROTC units?

General DILLINGHAM. As I say, we were getting approximately 1,000 from OTS, and the Air Force Academy I think is just over 1,000, and ROTC production is about 2,400. So it is over 50 percent.

Senator GLENN. Does anyone else care to comment?

Admiral EDNEY. Yes, sir, in the Navy we have 66 NROTC units. Due to the economic reasons, we are not expanding any, but we are not shutting down any right now. We go through the same process that the Air Force does of measuring the cost per student developed, the quality of the officer, and the likelihood of the officer to make a career or be a productive naval officer. We watch very closely minority accessions and historically black colleges and maintain our presence there.

We have, when we are on the growth years, in the last 6 years, we have gone from 6,000 to 8,000 scholarships. We have walked that back now to 7,200 scholarships, and we are reducing and turning the valve down. We have also set up a procedure where on a routine basis, every 4 to 5 years, we evaluate the productivity of a college. If the individual college is not producing the productivity we need, it gets the message to them that if they do not respond to our requirements, we have got over 30 colleges waiting on a list that desire to join our NROTC program. So we are monitoring those issues. We are not shutting down.

This year we expect to use all of our graduates.

ARMY ROTC

General ONO. For the Army, the ROTC is our primary source of commissioned officers. We are bringing about 8,000 from ROTC each year, about 5,000 of them going to the Active component and the balance, 3,000, into the Reserve components, USAR as well as the National Guard. West Point produces about 1,000 per year, and about 500 to 750 officer candidates each year also.

Like the other services, we review on a normal and constant basis the effectiveness of ROTC units throughout the country, to see whether they should continue or not on the basis of the production and the quality of graduates, also.

So we have ongoing programs. Whether we consider the closure of any further ROTC units would depend on whether we need any more officers or not. At this time both are under review, and the decisions will be made along those lines.

Senator **GLENN**. You have the PLC, first officer procurement and so on, and do you get any of your people at all out of NROTC?

General **HUDSON**. Yes, sir.

Senator **GLENN**. What percent?

General **HUDSON**. We get approximately 20 percent of the Marine officers out of our NROTC programs. PLC is our biggest and our bread and butter program. We get about 40 percent from here. We get about 10 percent out of the Naval Academy and about 20 percent through Officer Candidates School. Those are our four biggest sources.

Senator **GLENN**. General Dillingham, one follow-up. Are you contemplating any more closings that have not been announced, or are you reconsidering any of the ones that were on the original announcement list?

General **DILLINGHAM**. We are not contemplating any additional closures. We are—we have looked at the University of Mississippi and the Air Force Secretary has granted them a 2-year moratorium, and the reason for that was that it was an Air Force problem, specifically, the leadership at that school at the time, and the school has been able to convince us that was a factor in the low rating. So they have a 2-year moratorium, at which time they will be judged again on the same criteria as used.

ENLISTED INVOLUNTARY SEPARATIONS

Senator **GLENN**. Enlisted involuntary separations.

Mr. Green, at the hearing the subcommittee had on the subject of officer promotion procedures, I asked Dr. Armor about the large number of involuntary separations that are being effected by military services and asked him to provide information on the policies of the services, the role of your offices in approving these programs, and a breakout of the categories of personnel affected.

We have not yet received this information. Do you have that in process?

Mr. **GREEN**. It is in process and should be up here very shortly, but I might add that a very small percentage of personnel being released are involuntary. We estimate it to be about 5 to 8 percent of the total of 63,000 or so enlisted personnel.

Senator **GLENN**. What was the percent again?

Mr. **GREEN**. About 5 to 8 percent of the 63,000 total. The only ones who are involuntarily released are those who do not qualify for re-enlistment by virtue of being not qualified within their MOS or for another shortage MOS.

Senator **GLENN**. We have had a number of contacts with people who have felt that they were being unfairly dealt with. I have gotten mail that came directly to me personally, and the committee has received a number of letters also on this from individuals who felt they were on a career path and they were being involuntarily separated. I do not know what percent of them would fit in that category that did not qualify for re-enlistment. I would not think most of them would because they had been in on multiple enlistments already and had satisfactorily re-enlisted on previous occasions.

This on one issue I want to touch on.

Mr. GREEN. We have a fairly extensive explanation coming forward to you about how each of the services is doing it, such as the time frames that an enlisted person is given to decide whether they are going to re-enlist or not.

I have seen some of the correspondence that you have received and I understand where you are coming from, but I think we have a reasonably good story. There are going to be some that obviously slip through for one reason or another.

Senator GLENN. The question is not just on re-enlisting. Some of it is time of release. Some people are being forced out as much as 18 months in advance of what their normal time of release would be.

Do you have comment on that?

Mr. GREEN. While that may be true, the general period of release, through, is averaging about 3 months early.

General DILLINGHAM. I would like to point out that the Air Force program to make the numbers in the budget constraints took into account the fiscal year 1988 personnel who were departing, and asked them to make a decision to either re-up voluntarily or separate, and that will yield approximately 10,000 reductions.

And we also in the same time frame again, dollar constraints, looked at the 1989 personnel through the fiscal year 1989. That would be another 10,000 personnel.

However, through OSD and mutual agreement, individuals are given a minimum of 45 days from the date of decision to the actual time that they would have to depart. There are exceptions to this in critical requirement areas, humanitarian situations, medical problems, etc. The commander at the base level generally has the approval authority in the Air Force.

So I think that probably is where you are getting the information that we have gone out that far.

Senator GLENN. Okay. I know you all made opening statements and outlining your principal concerns.

Do you have any other comments that you want to add as a result of the hearing this morning? Anything that has come to mind that you want to get on the record?

FROCKING OF GENERAL OFFICERS

General DILLINGHAM. One thing I would like to point out, the frocking of general officers, when I personally moved from Williams Air Force Base as a wing commander to the Joint Staff to be one of the Deputy Directors there in the OJCS command center, it was essential that they have a one star, which I filled, and when I was selected to be promoted to two star, I was assigned Ismir, Turkey, in the NATO arena, as the Deputy Commander in NATO.

That was a two star billet, and Turkish allies were very sensitive to the rank aspect. So I was again frocked to two star.

Currently the Air Force has only 12 brigadier generals frocked out of the authorization of 20, and no major generals. My final comment, I know all the other services stressed the hurt that we are going through. The Air Force has in the tradition stepped up to the issues of the reductions and saluted smartly, but it has drawn down the force structure, and it is going to impact. At least it will give us more risk in the area of being able to carry the fight, and particularly, to sustain it.

Senator GLENN. This is not the best of times for those of us who are concerned about manpower in the military and how our people are treated, how we retain the best people, how we treat them fairly in a time when we could not get some of the pay raises we wanted to get in comparison to the civilian sector, as was mentioned earlier, or welfare, recreational concerns. We did not get into those this morning. We will get into those issues at a later hearing.

But these are all areas of great concern to us, and these are not good times right now for us, particularly on this subcommittee, in dealing with these matters.

I wish we were not under some of the limitations that we are under.

We want to get information on the 1989–1990 officer reductions as soon as possible. We will be getting into recruiting, retention, compensation, bonuses in the hearing on the 24th as Senator McCain mentioned. We want to work closely with you in working this all out together. I know the hearings, by their very nature, are sometimes more adversarial and confrontational than we would like or than I enjoy. But if we see things that we think need to be pepped up or need to be restudied or whatever, that is our duty to bring them out, and that is what we have done, and that is how we got into this whole officer strength issue. When the ratios, acquisitions were getting down to two to one, and questions were asked and we did not get satisfactory answers for almost 2 years, we felt we had to keep on that.

I do not like to be the bad guy on this, which I have been termed but every year when we get ready to have our manpower hearings, since we started this business, I know it is inevitable. I have some clippings here with me this morning that have been released by the various service publications and let me say your PR departments are doing a good job, and they will not be entered in the record, but I read them with great interest. And we want to work together on this; we truly do.

My bottom line is what is combat efficiency, and that is where I am coming from on it, and where I see us getting out of line in some areas, as I raise questions.

So we look forward to working with you on these issues. We appreciate your cooperation and what we have tried to do on this subcommittee, since I have had the chairmanship, is to get things to the point where we do not have to deal every time on every subject with every service.

Secretary Green and I have talked about this in considerable detail, and I talked to Secretary Carlucci about it also, regarding our difficulty in getting answers through the Secretary of Defense's office, back when we started this problem. And so in frustration we had to go to each one of the services, have them come over, sit in my office or have a meeting here and try and get the validation figures out of each service. And that was a long and laborious process.

We did not enjoy it, I did not like it, the services did not, either, and I am not pushing for one-stop shopping in Secretary Green's office at the Pentagon just for convenience. It is because that is the way we are supposed to be organized. We are supposed to be able to go to the Secretary of Defense's office, his people that are experts, and get the information we need.

So I think that process is being strengthened, and you are working on it, the service personnel chiefs are cooperating, I trust, because that is what we want to do. We want to straighten the whole system out and work together.

So I appreciate your input this morning. We may have additional questions for you.

Let me say one thing. If you have questions of us, ordinarily this flow of information is one way, we are asking and you are providing answers, but if there are things you are curious about as to what our view is and what we are going to do, let's work together on these things. That is what I want to do.

Mr. GREEN. I think, Senator, we have done that pretty well, and your staff, both your personal staff and the committee staff have been extremely helpful to us.

Senator GLENN. They stand ready to work with you on this at any time. We have a good staff here and they do excellent work. Fred Pang and David Lyles of the committee staff, and Phil Upschulte, of my personal staff who has had a long career in the military, and he is interested in this not only as a staff member for me, but from his previous career before he got here.

So we all want to work together on these things and we look forward to doing exactly that.

[Questions for the record with answers supplied follow:]

QUESTION SUBMITTED BY SENATOR JOHN GLENN

GENERAL AND FLAG OFFICER STRENGTHS

Senator GLENN. Are we to draw any conclusion from the 1,168 number? In other words, will your requirements study tell us you need at least this number, if not more?

Mr. GREEN. The Service/JCS General and Flag Officer (GFO) Requirements Studies are in draft form, and the results could be used to support a significant increase in the number of GFOs. The Hay Group, the Department contractor for conducting the study, is reviewing Service/JCS caveats and explanations as to why certain positions should remain at a particular grade in spite of Hay finding, given consideration to such factors as international agreements, protocol requirements, and statutory provisions. The OSD staff will then carefully review the Hay input along with other ongoing developments that may affect GFO requirements, including budget-driven force structure reductions and a recent review of Unified and Specified Command Headquarters staffing levels. Even if our review of the Hay results leads us to accept only recommended downgrades, the study will still support a requirement in excess of 1,350 GFO's. The Department will be reporting the results of the study in the very near future.

FROCKING

Senator GLENN. What effect, if any, would a prohibition on future frocking to the one-star rank have on the combat readiness of the military services?

Mr. GREEN. The relationship between frocking and combat readiness does not lend itself to empirical analysis. A prohibition on future frocking to the one-star grade would not, therefore, have a quantifiable effect on combat readiness. That is not to say that such a prohibition would be without effect. The step from field grade officer to general or flag officer is extremely significant in terms of status, importance, and influence. Frocking is used to maximize an officer's effectiveness in a position requiring the grade to which that officer has been selected, approved, and confirmed, but not promoted. A prohibition on frocking that constrained an officer serving in a one-star position from fully exercising decision-making and liaison authorities at the general or flag officer level could certainly have an adverse effect on the effectiveness and combat readiness of the organizations involved. Similarly, to the extent that it could constrain a Service from assigning the best-qualified officer to a certain position—particularly to a joint or international position—for reasons of relative seniority, a prohibition on frocking to one-star could adversely affect combat readiness.

Senator GLENN. How many officers do the military services have frocked to the two-star rank?

Mr. GREEN. There were 47 officers frocked to the two-star grade on August 1, 1988. Of these, 35 were serving in joint or command positions.

Senator GLENN. How do you control frocking to the two-star rank and what would be the effect on combat readiness if future frocking to the two-star rank was prohibited?

Mr. GREEN. Department of Defense Directive 1334.2, "Frocking of Commissioned Officers," dated March 13, 1987, provides prerequisites for frocking to all grades, including two-star. These prerequisites include nomination for promotion by the President and confirmation of the promotion by the Senate. Frocking must be essential to the officer's maximum effectiveness in the assigned billet, and the officer must be serving in or ordered to a billet designated for the higher grade. The Department has placed a specific numerical limit on frocking to the one-star grade (and has since maintained one-star frocking levels substantially below that limit) to ensure the total number of officers wearing general or flag officer insignia does not exceed the minimum necessary for effective mission accomplishment. Frocking to the two-star grade does not add to the total number of officers wearing general or flag officer insignia, and the Department has not established a two-star frocking limit.

Since the relationship between frocking and combat readiness does not lend itself to empirical analysis, a prohibition on future frocking to the two-star grade would not have a quantifiable effect on combat readiness. That is not to say that such a prohibition would be without effect. The step from one-star to two-star is significant in terms of status, importance, and influence. Frocking is used to maximize on officer's effectiveness in a position requiring the grade to which that officer has been selected, approved, and confirmed, but not promoted. A prohibition on frocking that constrained an officer serving in a two-star position from fully exercising decision-making and liaison authorities at the required level could certainly have an adverse effect on the effectiveness and combat readiness of the organization involved. Similarly, to the extent that it could constrain a Service from assigning the best-qualified officer to a certain position—particularly to a joint or international position—for reasons of relative seniority, a prohibition on frocking to two-star could adversely affect combat readiness.

ASSISTANT SECRETARY OF DEFENSE,
FORCE MANAGEMENT AND PERSONNEL,
Washington, DC, March 18, 1988.

Hon. JOHN GLENN,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: During the March 3, 1988, subcommittee hearing on the Defense Officer Promotion Program, you asked that I provide some information concerning numerical trends in officer frocking, in graph form if possible, and an analysis of the positions that general/flag officers are serving in while frocked to the grade of O–7 especially with regard to the number in command functions.

Enclosure 1 reflects the significant decrease (82 percent) in field grade officer frocking numbers which I testified had resulted from the Department's controls on frocking initiated in 1986. The allowable number of designated frocked positions in each Service is 3 percent of the total field grade promoted positions authorized by the Defense Officer Promotion Management Act (DOPMA) for each Service. Each of the 714 field grade officers currently frocked has been nominated by the President for promotion, the promotion has been confirmed by the Senate, the officer is serving in an authorized billet designated for the higher grade, and the officer's commander or supervisor has certified that frocking is essential to the officer's maximum effectiveness in the designated billet. The 714 frocked officers, although representing less than 1 percent of the field grade officers currently serving on active duty, permit added flexibility in meeting field grade requirements.

The graph at Enclosure 2 reflects the number of officers frocked to the grade of O-7 from 1985 to the present. I am pleased to report that the Department has reduced its number of frocked officers in this grade by 48 percent and was well below a self-imposed ceiling of 95 by the end—FY87 deadline set by the Deputy Secretary of Defense. Each Service has an individual frocking quota to ensure the Department does not exceed our ceiling of 95.

Our analysis of the 72 individuals currently frocked to the grade of O-7 indicates that command positions represent 44 percent of the total, the remainder being distributed to staff positions in joint assignments (31 percent), Service headquarters (17 percent), and other headquarters (8 percent).

The category of command includes officers frocked to commander/deputy commander positions in their respective Services, such as Commander, Naval Special Warfare Command; Commanding General, 1st Force Service Support Group; Commanding General, III Corps Artillery, and Commander, 12th Air Division. Officers frocked to O-7 in joint duty positions comprise thirty-one (31) percent of the total. A sample of these positions includes Deputy Director, National Military Command Center, Office of the Joint Chiefs of Staff; Director of Intelligence, United States Southern Command; and United States Defense Attache, Brazil. Seventeen (17) percent of the officers are frocked to O-7 positions in their Service headquarters such as Director, Maintenance and Supply; Competition Advocate General; and Assistant Vice Chief of Naval Operations. The remaining category, other headquarters positions, has 8 percent of the frocked O-7s and includes billets such as the Deputy Chief of Staff, Plans, United States Air Forces Europe; and Chief of Staff, VII Corps, United States Army Europe.

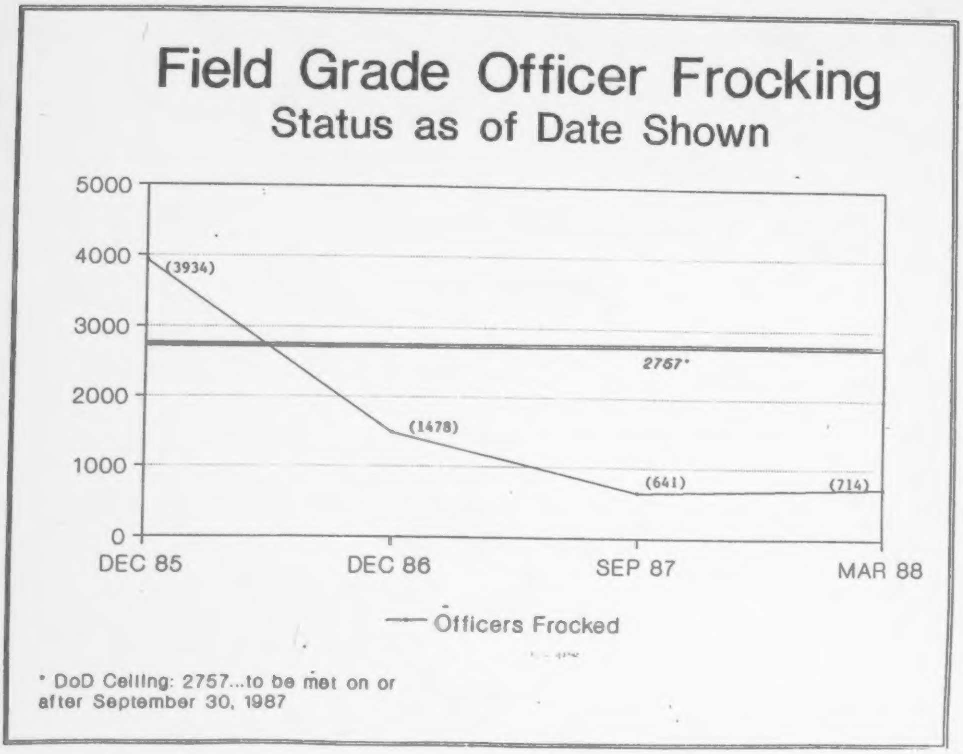
Frocking is not a recent practice but has historical roots dating back to 1783, when John Paul Jones was frocked to admiral in order to sign the Treaty of Paris. Over the years, the practice was maintained in order to increase the effectiveness of an officer during the period between Senate confirmation and final appointment. It permits us the management flexibility to use an officer in a billet of the next higher grade when additional rank is prudent to maintain the officer's effectiveness.

I trust that the information provided in this letter is responsive to your request. Frocking levels are being closely monitored by this office, and the applicable policies are being carefully administered by each Service to ensure compliance.

Sincerely,

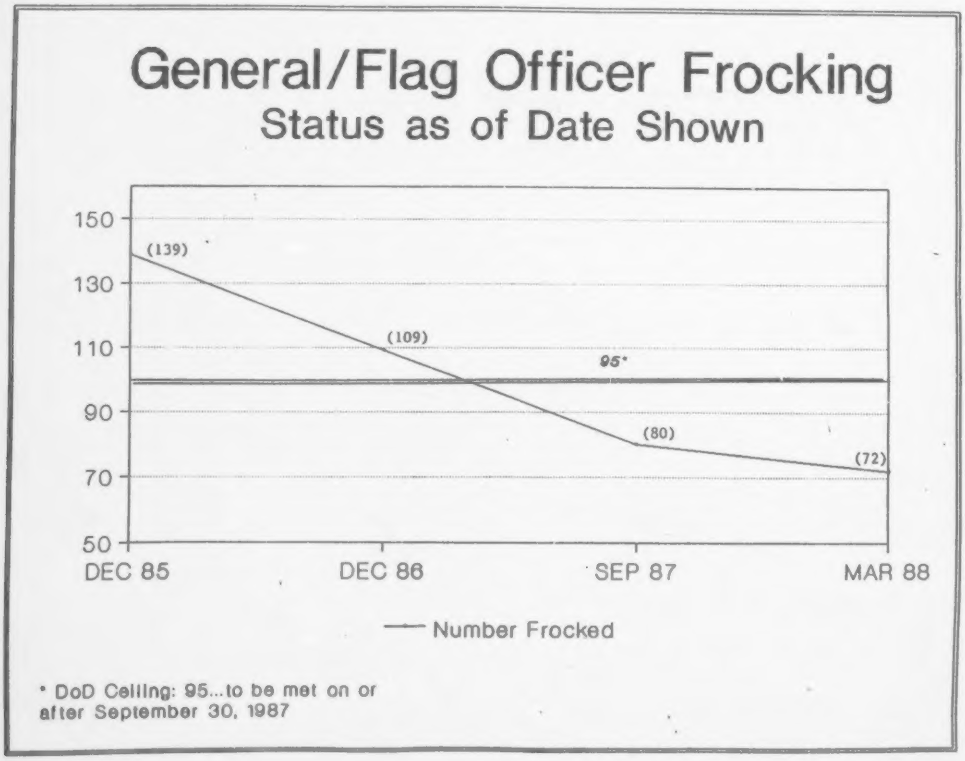
DAVID J. ARMOR,
Principal Deputy.

Enclosures: As stated.



Field Grade Officer Frocking
Status as of Date Shown

* DoD Ceiling: 2757...to be met on or after September 30, 1987



General/Flag Officer Frocking
Status as of Date Shown

* DoD Ceiling: 95...to be met on or after September 30, 1987

DEFENSE AGENCY MANPOWER

Senator Glenn. What is the role of your office in overseeing the manpower requirements of the Defense Agencies?

Mr. Green. The office of the Assistant Secretary of Defense (Force Management and Personnel) is responsible for formulating, presenting and justifying, and executing the military and civilian manpower requirements for all Department of Defense (DOD) components, including the Defense Agencies and DOD Field Activities. My office is responsible for ensuring that the Defense Department's Total Force reflects the most responsive, efficient, and economical mix of military, civilian, and contractor manpower.

Senator Glenn. Can you specify what effect the reduction in fiscal year 1989 would have on the combat readiness of the military services?

Mr. Green. The Defense Agencies and DOD Field Activities manpower requirements are based on funded workloads and mission requirements. The Defense Department's budget request represents the best estimate of the total resources (dollar and spaces) that are needed to accomplish each component's mission.

The Defense Agencies and DOD Field Activities provide direct support to the Military Services, and therefore directly support combat readiness. Any Agency/Activity manpower reductions, beyond those in the Budget Summit Agreement, would have some impact on combat readiness. The Department, of course, would try to make reductions in areas with the least impact on combat readiness, but we maintain that all reductions would directly or indirectly affect combat readiness.

Senator Glenn. Are all Defense Agencies equally affected or can some stand the reduction more than others?

Mr. Green. The Secretary of Defense decided to spread the fiscal year 1988 Goldwater-Nichols DOD fiscal year 1986 Reorganization Act reductions evenly across all of the Defense Agencies and DOD Field Activities. The Secretary decided on this approach because no programs or missions were cut by the Act, and it was impossible to balance the adverse effects of reducing one Agency or Activity at the expense of another. As an example, if the intelligence related Agencies are shielded from the reductions, then the logistices related agencies would have to take an additional reduction. Any decision to shield specific organizations, at the expense of others, quickly becomes illogical.

Questions Submitted by Senator Pete Wilson

ACTIVE/RESERVE MIX

Senator Wilson. Mr. Green, you touched briefly on the question of active/reserve mix decisions in your prepared statement. I have been concerned for some time, and am even more concerned now that we are reducing our active force structure without a clear understanding of the capability of the Reserves to perform certain missions. Sometimes, it appears we may be increasing our Reserves just so we can feel better about bad decisions we have to make about our active force size.

Would you comment about the analysis, including capability analysis, used to justify increased Reserve strength?

Mr. Green. The Reserve strength for fiscal year 1989 included in this budget is essentially level with fiscal year 1988 at 1,172,900. This is actually below the level of 1,176,070 which was previously authorized by the Congress for fiscal year 1989.

The four services use different procedures to determine their force mix requirements. Generally force structure which can be manned by the Guard and Reserve is not assigned to the active components. Reserve forces are restricted by time constraints from those missions which have a high peacetime operating requirement. Capability is largely a factor of resourcing.

Senator Wilson. I am also concerned that we in Congress may get a "false sense of security" based upon our increasing reserve force size. Will you assure us that you will inform us if we go too far in our reliance on the Reserves?

Mr. Green. We will take care that missions which are inappropriate for reserve components are not assigned to them. I am conducting an initial "force mix" survey of the services at the current time. I expect that the results of this effort will be reflected in future programs and budgets.

OFFICER REDUCTIONS

Senator **Wilson**. I now read your prepared statement to say you have identified over 4,000 additional officer billets to be deleted in fiscal year 1989 and fiscal year 1990, primarily as a result of the force structure reductions now being set in motion.

Am I correct in my understanding that you are now recommending that we repeal the statute requiring further officer reductions based upon the Department's determination that the 4,000 additional spaces will be deleted? Do we have your agreement that these 4,000 positions will be deleted? How do these additional 4,000 positions break out among the services.

Mr. **Green**. In addition to the first 2 percent officer reduction taken in fiscal year 1987 and fiscal year 1988, the Department of Defense has identified an additional 4,000 officer positions to convert to civilian or eliminate.

The Air Force has identified 500 officers in fiscal year 1989 and another 500 officers in fiscal year 1990 that they would like to convert to civilian. Additionally, 2,100 Air Force officers will be reduced as a result of programmatic actions planned for fiscal year 1990. The remaining 900 officers slated for reduction are Army positions (500 in fiscal year 1989 and 400 in fiscal year 1990).

The Secretary of Defense has not yet approved the programmatic Air Force reductions for fiscal year 1990, but I fully expect we will reduce the Department by the full 4,000 officer authorization. That will bring the net reduction of military officers to over 10,000 officers (3.3 percent of fiscal year 1986 baseline).

Based on the planned and executed reductions and the SecDef approved enhancements to OSD manpower oversight, I would ask that you support repeal of the remaining 4 percent reduction.

DUTIES OF SPOUSES

Senator **Wilson**. Last year, as the result of some very unfortunate incidents in the Air Force, I sponsored an amendment to the Defense authorization bill calling on the Department to establish a policy to prevent military commanders from attempting to require that the spouses of military personnel participate in "volunteer" programs of the Services or attempting to evaluate a member's duty performance based on the spouse's participation in volunteer programs.

I now understand that, in attempting to implement that amendment, there are some individuals in the Department who may be attempting to go much further than establishing a policy or attempting to expand the meaning of the amendment to prohibit such things as considering marital status in making so-called "joint spouses" assignments.

How is that amendment being implemented in the Department?

Mr. **Green**. Department of Defense Directive 1400.33, February 10, 1988, subject: Employment and Volunteer Work of Spouses of Military Personnel, implements your amendment and section 637 of the House Conference Report of Public Law 100-180, National Defense Authorization Act for Fiscal Years 1988 and 1989.

This policy states that no DOD official shall, directly or indirectly, impede or otherwise interfere with the right of a spouse of a military member to pursue and hold a job, attend school, or perform volunteer services on or off a military installation. It also states that the members of military promotion, continuation, and similar personnel selection boards are prohibited from considering the marital status of a military member, or the employment, educational, or volunteer service activities of a member's spouse.

With regard to your concern about considering marital status in making "joint spouses" assignments, the policy stated above is further clarified in the directive to ensure that marital status will be considered in facilitating the assignment of married dual-career military couples to the same geographic area. A copy of this directive is attached for your information.

DEPARTMENT OF DEFENSE DIRECTIVE

Subject: Employment and Volunteer Work of Spouses of Military Personnel.

References: (a) Public Law 100-180, National Defense Authorization Act for Fiscal Years 1988 and 1989, section 637, December 4, 1987. (b) Secretary of Defense Memorandum for Secretaries of the Military Departments, "Employment of Spouses of Members of the Armed Forces," October 22, 1987 (hereby canceled). (c) Secretary of Defense Memorandum for Secretaries of the Military Departments, "Employment of Spouses of Members of the Armed Forces," December 30, 1987 (hereby canceled). (d) DoD Instruction 1342.12, "Education of Handicapped Children in the DoD Dependents Schools," December 17, 1981. (e) Public Law 94-142, "Education for All Handicapped Children Act of 1975," as amended (Title 20, United States Code, sections 1401, et seq.). (f) Title 10, United States Code, chapter 47, Uniform Code of Military Justice.

A. Purpose.—This Directive implements reference (a) and reissues references (b) and (c).

B. Applicability.—This Directive applies to the Office of the Secretary of Defense (OSD), the Military Departments (including their National Guard and Reserve components), the Organization of the Joint Chiefs of Staff (OJCS), the Unified and Specified Commands, the Defense Agencies, and the DoD Field Activities (hereafter referred to as "DoD Components").

C. Definitions.—1. "Spouse" refers to the husband or wife of a military member, if such spouse is not also a military member.

2. "Military Services," as used herein, refers to the Army, Navy, Air Force, Marine Corps, and Coast Guard (when operating as a part of the Navy).

3. "DoD official" refers to any commander, supervisor, or other military or civilian official of a DoD Component.

4. "Marital status" refers to married, single, divorced, widowed, or separated.

D. Policy.—1. No DoD official shall, directly or indirectly, impede or otherwise interfere with the right of a spouse of a military member to pursue and hold a job, attend school, or perform volunteer services on or off a military installation. Moreover, no DoD official shall use the preferences or requirements of a DoD Component to influence, or attempt to influence, the employment, educational, or volunteer service decisions of a spouse. Neither such decision of a spouse, nor the marital status of the member, shall affect, favorably or adversely, the performance appraisals or assignment and promotion opportunities of the member, subject to the clarification in paragraph D.2.b., below.

2. In furtherance of this policy:

a. In discharging their responsibilities, members of military promotion, continuation, and similar personnel selection boards are prohibited from considering the marital status of a military member, or the employment, educational, or volunteer service activities of a member's spouse.

b. Personnel decisions, including those related to the assignments of military members, shall not be affected, favorably or adversely, by the employment, educational, or volunteer service activities of a member's spouse, or solely by reason of a member's marital status, subject to the following clarification:

(1) When necessary to ameliorate the personal hardship of a member or spouse upon the request of the member concerned, such as when a family member requires specialized medical treatment, educational provisions under references (d) and (e), or similar personal preference accommodations.

(2) To facilitate the assignment of dual-career military married couples to the same geographic area.

(3) When otherwise required by law, such as instances in which a prohibited conflict of interest may exist between the official duties of a military member and the employment of the member's spouse.

(4) When the Assistant Secretary of Defense (Force Management and Personnel), with the concurrence of the General Counsel, determines, on a case-by-case basis, for reasons of national security, that marital status is an essential assignment qualification for particular military billets or positions.

c. Performance appraisals on members of the Military Services, including officer and enlisted efficiency or fitness reports, shall not contain any information regarding the employment, educational, or volunteer service activities of the member's spouse, or reflect favorably or adversely on the member based solely on the member's marital status.

E. Responsibilities.—1. The Secretaries of the Military Departments and the Heads of other DoD Components shall ensure compliance with this Directive.

2. The Secretaries of the Military Departments shall issue regulations, enforceable under the Uniform Code of Military Justice (UCMJ) (reference (f)), and appropriate regulations or other guidance applicable to civilian personnel, implementing this Directive.

3. The Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) shall monitor compliance with this Directive.

F. Effective date and implementation.—This Directive is effective immediately. The Secretaries of the Military Departments shall forward two copies of implementing documents to the Assistant Secretary of Defense (Force Management and Personnel) within 60 days.

WILLIAM H. TAFT IV,
Deputy Secretary of Defense.

NATIONAL GUARD AND RESERVE RETENTION

Senator WILSON. General Ono, we will deal directly with recruiting, retention, and compensation issues at our hearing next week. However, I am concerned about one problem of retention which may be affecting your overall requirements. That is the problem of retention in the Army reserves.

I have been told that the Army Reserve is continuing to experience an extraordinarily high loss of trained personnel. Lack of MOS trained personnel is major readiness problem in the Army Reserve. I had been concerned that this problem was the result of insufficient training.

I now believe what is really happening is we are recruiting enough people and giving them training, but then they quit.

Would you comment on this problem?

General ONO. The problem you are addressing is one of providing the soldier with meaningful training during his Inactive Duty for Training period (weekend drill).

The Army has taken action to solve this problem. Among the actions currently directed toward resolution of this problem are:

a. The Office, Deputy Chief of Staff for Operations-directed Military Occupation Specialty Qualification/Retention Study. The goal of this study is to develop training strategies more appropriate for the Reserve Component training schedules for skills that require long training periods.

b. The Training and Doctrine Command's Reserve Component Training Strategy Task Force. The goal is to develop a comprehensive, coherent strategy for the training of Army Reserve Components for the future.

c. The Office, Chief Army Reserve Sample Survey of USAR Troop Program Members. This survey will prioritize reasons why soldiers leave their unit, recommend solutions and develop a computer retention model.

The retention problem is further compounded by the fact that unit commanders are often overwhelmed with administrative (necessary) work to the extent that it is impossible to actively and energetically plan meaningful and absorbing training for the unit. The current Office, Chief Army Reserve initiative to establish Command Support Centers seeks to shift this workload away from the unit in order to provide more time for training.

REDUCED FORCE STRUCTURE

Senator WILSON. General Ono, the Army proposes to reduce its active force structure in fiscal year 1989 by some 9,000 slots below the fiscal year 1988 authorization level. How will that reduction be allotted in the Army's active force structure? Will there be major force structure units left with essentially a headquarters only?

General ONO. Senator Wilson, the required DOD manpower reductions will be accomplished in the following manner:

1. FORSCOM will not activate two battalions in 6ID(L) and will inactivate one brigade 9ID(MTZ) and roundout with an RC separate brigade. The balance of 277/18/3387 military and 354 civilian positions were taken from BASEOPS of the supporting installations.

2. Aviation spaces in TOE and TDA will be decremented at UIC level of detail. Total reduction will be 451 officers/warrants and 864 enlisted. The remaining 292 officer/warrant reduction will be paid with non aviation TDA spaces in FORSCOM (102 OF, 273 EN), TRADOC (177 OF, 238 EN), and AMC (12 OF, 96EN).

3. RDTE spaces, military and civilian have been spread throughout RDTE developing agencies to include secretariat and HQDA FOAS. Total reduction 23/0/741 military and 622 civilians.

4. FOA military reductions (OMA) are being applied against secretariat and HQDA Field Operating Agencies and MACOM Field Operating Activities. Exact distribution still being determined—excludes AMHA. Total cut will be 188/0/273 military and 413 civilians—includes ADEA (46/0/9) military and 52 civilians).

5. TRADOC has identified 43 officer and 27 civilian spaces to be cut from ROTC; 29 officer spaces spread between CDEC and TRADOC Liaison Element to ADEA; and 49 officer spaces to be identified from ROTC or an alternate source.

6. Morale, Welfare and recreation is being reduced 23 officer and 177 enlisted spaces.

7. 121/0/1037 military will be removed from the individuals (THS) account to meet the 8,600 end strength reduction.

8. All reductions are effective 30 September 1988.

9. In all of these reductions, no unit has been left with only a headquarters element. The standard was to cut functions and units.

10. This reduction meets the Congressionally mandated officer cuts (1514), aligns aviation spaces with aircraft to be retired, is balanced between TDA (51%) and TOE (49%)—(final percent to be determined) and, in as much as possible, protects training and leadership development. The Army can still accomplish its wartime mission within the existing force structure—but with increased risk.

Senator WILSON. There has been substantial doubt about whether the Army could properly man 18 divisions with an end strength of 781,000. How does the Army propose to man 18 divisions with only 772,000 personnel?

General ONO. Pasts doubts about the Army's ability to man an 18 division force aside, the facts are that we have consistently done so over the past several years. The average fill level of our 18 divisions has ranged between 94 percent and 98 percent since October 1986. Since the fiscal year 1989 end strength reduction to 772,300 is accompanied by a commensurate force structure reduction, we are confident that with congressional support of our budget request we can continue to properly man our approved force structure.

NUCLEAR OFFICER SHORTAGE

Senator WILSON. For the fifth or sixth year in the row, the Navy describes its shortage of experienced nuclear trained officers as one of its most serious officer manning problems. Presently, there is a 28 percent shortage against requirements.

I believe the Congress has authorized every compensation program sought by the Navy for nuclear qualified officers and continues to authorize the use of spot promotions for only these officers.

Are we ever going to be able to "buy" this type of officer or must we start looking for non-monetary incentives to retain these people?

Do you think we will ever be able to man the Navy's "requirements" for these officers? Has the Navy done a detailed review of its requirements—Who is filling the billets for which there are shortages? How much is our readiness reduced by manning these billets in this manner?

Admiral EDNEY. The shortage of nuclear trained submarine and surface officers is a significant problem, which the Navy is working hard to correct. This problem has been with us for many years and will not be quickly resolved. With the strong support of the Congress in approving special pays and incentives, we have been able to absolutely minimize the impact of this shortage on fleet manning and readiness.

Submarine Officers

The submarine community currently has a 28 percent shortage of senior, nuclear trained officers in the ranks of Lieutenant Commander (O-4) through Captain (O-6). This problem is a result of the low nuclear submarine officer accessions and retention in the late 1960s and 1970s when these officers started their career.

During the mid-1980s the Navy made strong improvements in nuclear submarine officer recruiting and retention through improvements in submarine force operating tempo, increased opportunity for shore duty and post graduate education, and improved compensation in the form of enhanced Nuclear Officer Incentive Pay. In fiscal year 1983, the Navy achieved 100 percent of its submarine officer accession goal. In fiscal year 1985, nuclear submarine officer retention reached a historical high of 48 percent. When significant numbers of the officers in these year groups reach Lieutenant Commander in 5 to 6 years, the Navy will probably be able to reduce the 28 percent shortage of senior submarine officers. The current shortage will remain stable until that time.

However, there has been reason for additional concern in recent years. Since 1983 nuclear submarine officer accessions have dropped. In fiscal year 1988, the Navy projects it will reach 90 percent of its submarine officer accession goal. Also, submarine officer retention dropped in fiscal year 1986 to 43 percent and then to 39 percent in fiscal year 1987, the lowest figure in 5 years. When the Navy recognized this trend in fiscal year 1986, we took corrective action by requesting a 35 percent increase in submarine pay, which Congress approved in the fiscal year 1988 DOD Authorization Act. Additionally, the Secretary of the Navy approved raising Nuclear Officer Continuation Pay from $9K to $10K per year (authorized ceiling in law is $12K). While it is too early to accurately predict the impact of these changes on submarine officer retention, based on data collected so far this fiscal year it appears that the desired effect was realized and fiscal year 1988 retention will be 43 to 45 percent. This still is short of the 55 percent goal. The Navy will continue to monitor this situation closely.

Surface Community

A shortage also exists for surface (nuclear) officers. Because of career path and community differences the shortages of surface (nuclear) officers manifests itself as a shortage at the Lieutenant Commander level. This is the surface (nuclear) officer career path chokepoint. For example, in surface (nuclear) officer year groups 1980 and 1981 there are about 50 percent of the officers needed to support the approved career path.

This shortage exists for reasons similar to the submarine community shortage, e.g. lower than desired retention and officer accessions during the 1970s. During the mid–1980s strong improvements were also made in surface (nuclear) accessions and retention, which provides reasons to believe that future year groups will contain sufficient officers to support the community career path without extending personnel at sea.

However, this community also faces a significant challenge in the 1990s because a large portion of the nuclear powered surface fleet is scheduled for a major shipyard overhaul, including reactor core refueling. Historically, refueling overhauls have had an adverse impact on nuclear officer retention. For example, of the 35 junior officers assigned to the U.S.S. *Enterprise* (CVN–65) in 1980 through 1983 when she was last in overhaul, only 2 officers remained in the Navy. The Navy's top leadership is aware of this potential manning problem and is studying several options to minimize the impact of these overhauls on surface (nuclear) officer retention.

Incentive Programs

The primary monetary program for recruiting and retaining nuclear trained officers is Nuclear Officer Incentive Pay. This pay provides both an accession bonus for new officers accepted for the nuclear propulsion program and a career-long incentive pay for officers who remain in the Navy beyond their minimum service obligation. Within the submarine community, Submarine Pay provides an additional incentive for selecting a Naval Career. The Navy will continue to use these incentive pays to minimize recruiting and retention shortfalls, and will seek adjustments to the current values if appropriate. It is important that the Navy remain competitive with the wages one of these highly skilled officers can reasonably expect to earn if he sought employment in the civilian sector.

In fiscal year 1988, Congress additionally provided authority to continue the SPOT promotion program, which the Navy uses not only for nuclear trained officers, but also in other communities where a critical shortage exists for officers with certain engineering skills.

Both the submarine and surface (nuclear) warfare communities recognize that these programs alone will not correct the nuclear officer shortages. Both communities have instituted career path changes where possible to increase the opportunity for shore duty and post graduate school. The Fleet Commanders are also fully briefed and aggressively support the CNO's policy on ship operational tempo and deployments.

Requirements and Readiness

The submarine and surface (nuclear) officer shortages have not impacted fleet readiness. The nuclear officer communities have always manned the fleet with officers at the correct senority and qualification. Additionally, the Navy has carefully reviewed its requirements for all officer communities in the recent manpower study conducted by OSD. The results of that study were forwarded to the Congress. The requirement for nuclear trained officers are legitimate. The Navy copes with the shortage of nuclear trained officers by extending officers at sea for longer than desired tours; by using lesser experienced officers in some shore jobs; and when faced with no other alternative, by temporarily gapping a billet until a suitable replacement is available.

FORCE STRUCTURE CHANGES

Senator WILSON. In the 1989 amended manpower request, the Navy's end strength remains relatively unchanged from that authorized in fiscal year 1988. Yet some 16 ships are scheduled to be removed from the active force structure.

Would you explain why removing these 16 ships from the force structure does not reduce your billet requirements?

Admiral EDNEY. Removing the 16 ships does eliminate the billets for these ships in fiscal year 1989 but does not reduce our required end strength level of 593,200. The fiscal year 1988/89 President's Budget of January 1987 requested a growth of 9,600 active duty personnel in fiscal year 1989. This growth included manpower for

10 additional ships being added to our force structure in fiscal year 1989. The 9,600 end strength growth has been eliminated from our fiscal year 1989 amended budget submission. This reduction in planned growth was achieved, in part, by decommissioning the 16 ships, decommissioning the 14th Carrier Airwing and two SSBNs. With no manpower growth in fiscal year 1989 we have had to offset required increases in combat forces of 2,171 by reductions of 1,005 in shore support and 1,166 in the student and transient account. Our fiscal year 1989 amended budget reflects a balanced and executable program which provides manning at 92 percent of requirements in combat forces to ensure fleet readiness and sustainability.

ENLISTED PROMOTIONS

Senator WILSON. In your formal statement, you delineate the problems the Air Force is experiencing in the area of enlisted promotions. This is one of those problems which arises when Congress refuses to pay for the existing force structure and is the kind of problem which can lead to the conditions of the late 1970's—our most qualified and experienced personnel just get fed up and leave active duty. Would you describe the problem, how we got there, and what needs to be done to "fix" it?

General DILLINGHAM. Maintaining an environment in the Air Force which fosters high productivity in our enlisted force is a high priority of senior leadership. One of the most important aspects of such an environment is the opportunity provided to our NCOs for advancement. When there are significant reductions in force size or funding levels, or arbitrary promotion caps applied to the force through budgetary actions, flows of promotions are affected. Selection opportunities decline; monthly pin-on numbers shrink. In 1987, when an appropriations bill capped grades after annual selections had been made, promotion lists took longer than a year to exhaust and selection rates the following year were sharply diminished. Those individuals with ambition, drive, and enthusiasm view this lowered promotion opportunity as a roadblock to achieving increased responsibility. Generally, this affects our best—those we most want to keep. Individuals must believe their efforts in defense of our country are appreciated. If not, they will find alternate ways to earn their living—as they did in the late 1970s.

During periods of large reductions in the total force size, as we are experiencing in 1988 and 1989, the career force increases in proportion to the first-term force, because strength reductions are taken largely through lower accession levels and early separation of first-term airmen. The size of the career force is largely unaffected. This is due to a higher propensity of career force members to remain on active duty and our commitment to avoid involuntary separation of those who have served faithfully and well over longer periods of time. In order to stabilize promotion flows in the NCO grades, NCO grade strengths must also remain largely unaffected in the short run. Since total strength is declining, NCO strengths as a percentage of the total must rise slightly; however, actual numbers need not increase. In fact we have programmed decreasing numbers on our top five NCO grades in 1989 and 1990—decreases to the levels we feel provide the minimum acceptable promotion opportunity. As the force size stabilizes, NCO grades as a percent of total force can also begin to stabilize. Stable and predictable promotion flows assist us in maintaining our most talented people during this period of force turmoil.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

Senator WILSON. (1) Am I correct that there are no funds in the budget for improving weight allowances, and (2) if so, how much importance should we give this issue if the services will not budget for improvements?

General DILLINGHAM. You are correct that no funds are in the current budget for improving weight allowances. In fiscal year 1986, the Department of Defense (DOD) requested Household Good (HHG) weight allowances be increased to offset out-of-pocket cost to service members resulting from overweight charges. The increase was not funded. The General Accounting Office (GAO) and DOD were directed to report on this issue. GAO's report indicated that some Service members were shipping household goods in excess of prescribed ceilings, but found data insufficient for establishing new weight allowance. The DOD report recommended separate allowances for service members with and without dependents and increases for service members with dependents only. These increases were not funded. Section 651 of the Report of the Committee on Armed Services, U.S. House of Representatives, on the National Defense Authorization Act for fiscal year 1987, required DOD to submit a plan to Congress to restructure HHG weight allowances for service members. The report was submitted on April 28, 1987. The report verified our previous findings. Service members and their families absorb significant out-of-pocket expenses as a result of current HHG ceilings. Fair, realistic weight allowances cannot be funded within existing resources. The report recommends that in fiscal year 1990 Congress fund HHG ceilings which meet 95 percent of the shipment weight needs of service members. The Air Force fully supports any improvements to ease the burden on members that are directed to move in the interest of national security.

PILOT RETENTION

Senator WILSON. First, am I correct that there is a significant difference in retention rates among various aircraft communities, and if so, why?

General DILLINGHAM. The Air Force does have a variance in retention rates by weapon system group. These differences are reflected in both the cumulative retention rates and in the many years of service after training. The following shows the ten year averages for each of these retention measurement factors:

	Fighter	Bomber	Tanker	Strategic airlift	Tactical airlift	Helicopter	Trainer	Average
6–11:								
CCR	63.4	61.9	51.1	45.7	54.8	70.6	44.8	55.8
TARS [1]	13.54	13.26	12.04	11.58	12.42	14.57	11.04	12.63

[1] TARS (Total Active Rated Service) equals man-years after training.

A number of factors contribute to these differences. Historically, the weapon system areas with similar missions and equipment to the airlines (strategic airlift: C–141, C–5, etc. and tankers: KC–135) have had lower than average retention.

At the other end of the retention spectrum, the fighter and bomber groups have had retention rates above the average. Pilots flying these systems may have a higher identification and desire to continue performing their unique combat roles. In both cases, it is impossible to find comparable flying experience in the civilian sector.

The trainer and helicopter groups are both relatively small and have unique characteristics. Within the trainer group, pilots that serve a first assignment as an instructor pilot in training command and then turn down follow-on major system training are counted as trainer losses. Loss of these pilots may be based upon not receiving their first choice of assignment or may be due to reluctance to accept additional service commitments associated with training. In the helicopter area, the unit structure, mission, and reduced airline draw contribute to the higher than normal retention rates.

While historical differences exist in weapons system retention, the trends in all areas show the adverse impacts of today's retention environment. A review of historical trends reflects the universal nature of the Air Force retention problem:

	Fighter	Bomber	Tanker	Strategic airlift	Tactical airlift	Helicopter	Trainer	Average
Fiscal year:								
1983	80.2	76.1	75.6	73.2	82.4	82.1	64.9	77.6
1984	79.1	78.7	74.0	63.2	71.1	67.8	45.7	71.9
1985	68.2	71.9	55.5	41.4	53.2	80.6	35.8	58.6
1986	63.3	51.2	50.4	40.9	51.9	81.6	66.0	55.6
1987	55.1	58.5	36.3	31.5	46.4	69.4	40.0	47.9

The key factor is not the variance between weapons systems but the fact that all weapons systems have experienced declining retention rates since fiscal year 1983 and all except helicopters have rates below that which is required to sustain the inventory to meet requirements.

Senator WILSON. Second, is the Air Force prepared to target any retention incentive program to only those communities experiencing shortages, and if not, why not?

General DILLINGHAM. The Air Force plans to target Aviator Continuation Pay (ACP) to the retention critical areas of our aviator force. Only fixed wing pilots (no helicopter pilots and no navigators) between their 8th and 13th year of service will be eligible for ACP contracts in exchange for an obligation to serve through 14 years. These eligibility criteria are much more restrictive than the legislation guidelines and will limit the eligible population to less than 20 percent of Air Force aviators.

END STRENGTH

Senator WILSON. General, the Marine Corps requested end strength for fiscal year 1989 is some 2,400 less than that authorized in fiscal year 1988. Yet, it appears there are no plans to deactivate any units in the Corps. This means that the existing force structure will be maintained as a lower level of manning.

Am I correct that no force structure changes are planned?

How will the manning reductions be spread throughout the Corps?

Can you quantify the adverse effect on combat readiness this reduction will have on the Corps?

General HUDSON. We do plan force structure changes in the near future. The end strength reduction will initially reduce manning of the current structure until we finalize structure changes recommended by our recently completed structure review. This review confirmed that we cannot properly man the desired structure with the reduced fiscal year 1989 end strength. The end strength reduction of 2,900 from our programmed fiscal year 1989 end strength will force us to cadre three reinforced infantry battalions or 11 percent of our infantry combat power.

Senator GLENN. The hearing will stand in recess subject to the call of the Chair.

[Whereupon, at 12 noon, the subcommittee recessed subject to the call of the Chair.]

11

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, MARCH 24, 1988

U.S. SENATE,
MANPOWER AND PERSONNEL SUBCOMMITTEE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

RECRUITING, RETENTION, AND COMPENSATION

The committee met in open session, pursuant to notice, at 10:30 a.m., in room SR-222, Russell Senate Office Building, Senator John Glenn (chairman) presiding.

Present: Senators Glenn, Symms, and McCain.

Staff present: Patrick A. Tucker, minority counsel; David S. Lyles, Frederick F.Y. Pang, and Patricia L. Watson, professional staff members; Debra A. Rice, staff assistant.

Also present: Phillip P. Upschulte and Milton D. Beach, assistants to Senator Glenn; Jeffrey B. Subko, assistant to Senator Exon; Richard Roberts and Terrence M. Lynch, assistants to Senator Shelby; Samuel J. Routson, assistant to Senator Symms; and Anthony H. Cordesman, assistant to Secretary McCain.

OPENING STATEMENT OF SENATOR JOHN GLENN, CHAIRMAN

Senator GLENN. Before proceeding, I am sorry we had to set the hearing back a little bit this morning because we had other commitments here and a classified meeting of the committee over in the other building. We had to get on with that first this morning, and we had to set this hearing back a little bit. It was either that or cancel it, and I did not want to do that.

We do have a great deal of material to cover, and we want to make sure we do a thorough job of covering it. I hope it does not turn out that we are not able to do all of it this morning. If we are unable to get through everything this morning, we might have to schedule a follow-up hearing. I hate to do that. I know you have busy schedules, as do I; however, we want to make sure we get everything covered.

The Subcommittee on Manpower and Personnel meets this morning to continue its review of the manpower portion of the revised Department of Defense budget authorization request for fiscal year 1989.

The first part of the hearing today will focus on the recruiting, retention and compensation programs of the military services.

The second part will focus on reserve and guard programs.

Last year, the Congress authorized a 2-year budget for the Department of Defense. Now, in the area of compensation and benefits, the Congress authorized increases in basic pay and allowances, enhancement and certain special incentive pay, and extensions to certain temporary personnel management and compensation authorities.

The one big disappointment for me last year was our inability to give our military personnel a larger pay raise for fiscal year 1988. The Senate took a 4-percent pay raise to conference with the House. Unfortunately, we came out with a 3-percent raise in basic pay and a 3.5-percent raise in basic allowance for quarters and basic allowance for subsistence.

As it turned out, in order to avoid a Gramm-Rudman sequestration, the Congress and the administration agreed during our budget summit, as it was called, just before the holidays, to adjust the military pay raise to 2 percent, the same as for Federal civilians.

This was a tough choice, and I did not want to make that choice. I fought against it, as a matter of fact, in my participation in that group. Given the budget deficit pressure, however, there was little we could do to turn it around.

Now, I have noted and I agree that Secretary Carlucci has done the right thing when he put the 4.3-percent pay raise for military personnel in the amended DOD budget for fiscal year 1989 at the top of Defense priorities. I certainly support the requested increase and have discussed that with him as well as with some of you here.

I think it is essential that we keep the 11-percent gap between military and private sector pay stable. We do not want to see that widen out even further. The current gap of 11 percent is the largest we have had since we went to an All Volunteer Force.

In my view, the only reason we have not seen a lot of our military personnel voting with their feet to get out is that we have been able to put in some very meaningful enhancements in targeted pay and benefits that have improved the quality of life of military personnel. However, the current pay gap and the caps on appropriations in the military personnel accounts last year such as the freeze on variable housing allowance put us on a risky course which we must be wary of.

With regard to recruiting and retention, I continue to applaud the success of the Department of Defense in sustaining unprecedented levels of recruit quality as measured by enlistment test category and high school degree holders.

I also note that retention levels continue to provide the experience needed to generally meet the petty officer and noncommissioned officer requirements of the military services.

I know there are some shortfalls, and you will discuss the issue of pilot retention which is a problem which we will have to come to grips with.

I understand the Department of Defense has set aside some $54 million for a pilot bonus for the Air Force. We have not yet received that proposed legislation that would provide this authority, so I will be interested in hearing from our witnesses this morning on why the bonus is needed and how it is to be structured, if that is the way we are going to go or what you are going to propose.

So at this point, I would see if Senator McCain has any comments to make before we go ahead and proceed with the hearing.

Senator McCAIN. No, Mr. Chairman. I would just like to echo your concern about the action that the House Budget Committee took last Friday. We had all anticipated an attack on the pay raise, and at the same time every witness that has testified before this committee, both civilian and military, have placed that pay raise as their highest priority for services.

I find it terribly disappointing and I think one that we are going to have to do battle over. I hope that we will be able to prevail in not only that but the pilot retention issue.

I will save my questions and comments for after the witnesses.

Thank you, Mr. Chairman.

Senator GLENN. Thank you.

We welcome our witnesses. At the table we have Mr. Grant Green, the Assistant Secretary of Defense for Force Management and Personnel. He is accompanied by Lt. Gen. Allen Ono, the Deputy Chief of Staff for Personnel of the Army; Vice Adm. Leon Edney, the Chief of Naval Personnel; Lt. Gen. Thomas J. Hickey, the Deputy Chief of Staff for Personnel of the Air Force; and Lt. Gen. John I. Hudson, the Deputy Chief of Staff for Personnel of the Marine Corps.

Gentlemen, I believe I am correct that each of you has submitted a written statement that is to be, I believe, included in the record.

Was that the agreement you all made on that? If anyone disagrees and wants to deliver their statement for whatever reason, we would be glad to entertain that, but it was my understanding that each of you had agreed to include your statement in the record because of our tight schedule this morning.

I would ask you each, then, to summarize your statements so we can then turn to the questions and the discussion period this morning.

Mr. Green, will you proceed?

STATEMENT OF HON. GRANT S. GREEN, ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL, ACCOMPANIED BY LT. GEN. ALLEN K. ONO, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL; VICE ADM. LEON A. EDNEY, USN, CHIEF OF NAVAL PERSONNEL; LT. GEN. JOHN I. HUDSON, USMC, DEPUTY CHIEF OF STAFF FOR PERSONNEL; AND LT. GEN. THOMAS J. HICKEY, USAF, DEPUTY CHIEF OF STAFF FOR PERSONNEL

Mr. GREEN. Thank you, Mr. Chairman, Senator McCain. I appreciate this opportunity to appear again before you, this time to focus on military recruiting, retention and compensation.

As you mentioned, you have the prepared statement which covers the detailed achievements of the services during fiscal year 1987 and lays out some of the challenges we face in the year ahead.

My comments this morning will highlight quickly only my most pressing concerns. I hope we will be able to discuss these and others in responding to your questions.

In fiscal year 1987, the services have continued to attract and keep top quality people in the Active and the Reserve Forces. You can be proud of our military members and of the programs you have supported through the years that have made this happen.

The first signs are surfacing, however, suggesting that this is the year to be particularly mindful of the compensation programs and policies we must have to sustain this superior force.

One key indicator of the deteriorating outlook is the total number of high school graduates we recruited declined 16 percent during the first quarter of fiscal year 1988 when compared to the same period last fiscal year. The recruiting effort is getting significantly more difficult.

Likewise, while retention continues at desirable levels over all, it peaked in 1982. Since then, the trends are down, and a look at continuation patterns shows retention is falling off more quickly in the more highly technical skills. I am concerned.

For example, in fiscal year 1987, the Marine Corps achieved only 93 percent of their first term reenlistment goal, and the Navy fell short of its objectives for both second term and career petty officers, many of whom must serve extended tours of sea duty away from their families.

These initial danger signs underscore the single most urgent requests in the defense manpower program for fiscal year 1989; that is, a 4.3-percent pay raise for our people in uniform.

I can summarize the importance of the pay raise with two thoughts: First, adequate compensation. As you mentioned, Mr. Chairman, a foundation of the volunteer force, competitive pay, has eroded because military raises have been outpaced by growth in the private sector by 11 percent since 1982. Without competitive pay, the number and magnitude of retention problems facing us can be expected to grow.

Second and, I believe, equally as important, we need to show with clear and decisive action the value we place on service by our military people. Arresting the trend toward an ever-widening gap will communicate positively that all members of the military team, married, single, enlisted, officer, on or behind the line, are essential to combat readiness.

Compounding the military pay gap is the decline in the value of variable housing allowance. That has seriously hurt military people who reside off base. Even though housing costs have climbed 8.5 percent since fiscal year 1986, overall VHA rates have been frozen. Combined housing allowances now fall short of meeting member costs by 22 percent instead of the 15 percent Congress intended when it restructured the military housing allowance program in 1985.

To keep member's absorption of housing costs from worsening, we have included funding in the fiscal year 1989 budget request to match the growth in housing costs over the past year.

As you mentioned, some specific officer communities need attention. Pilot losses in the Navy and the Air Force are increasing to unacceptable levels. While the Army and the Marine Corps do not have, or anticipate, near term problems, the Navy is already short well over 1,000 pilots, and the Air Force projects a shortage of 2,500 pilots by fiscal year 1993.

We have developed a legislative proposal, which cleared OMB yesterday and we understand was sent yesterday. If not, it should be here today.

Senator GLENN. If it is here, we have not yet read it.

Mr. GREEN. The legislative proposal lays out a pilot bonus that includes flexibility so that the service Secretaries and the Secretary of Defense can tailor the program to specific service needs. The bonus is one of several initiatives we are exploring to deal with this problem, but we need it now to stem an existing problem before it gets totally out of control.

Retention of nuclear officers in the Navy is also of great concern. The current submarine community shortage of 516 officers in the lieutenant commander through captain grades represents a shortfall of 28 percent. The nuclear surface community is only marginally better off.

We are hopeful that expansion of shore duty opportunities, more post-graduate education spaces, and increase in nuclear officer continuation pay from $9,000 to $10,000, and, with congressional support, an increase in submarine pay and an extension of the spot promotion authority will cause substantial improvements in the current situation.

Shortfalls of medical personnel are also a matter of considerable concern to us, as I know they are to you. We are working with the Assistant Secretary of Defense for Health Affairs to attack this problem at every level: recruiting; retention; compensation for Active and Reserve components. We need to succeed here. The quantity and quality of health care both in peacetime and war is obviously of the highest priority.

The real challenges we face now in attracting and retaining the people we need are likely to become more severe in the years ahead. The problems are significant, and there is some risk. While it is an acceptable risk in my judgment, the Department may fall short of some of its goals.

The proposed program and funding requests for fiscal year 1989 represent a balanced mix; recruiting resources and incentives designed to appeal to different segments of the market, and compensation to retain those who are critical to our mission today.

The only real growth in the request is to improve medical recruiting incentives for the Reserve components. Although the joint recruitment advertising program showed real growth, $7.2 million, it only partially offsets the reductions totaling more than $15 million in service advertising purchasing power.

Overall, the Department's outlay for advertising is down 25 percent compared to the fiscal year 1986 program. The remainder of our request represents real declines after the effects of this inflation are discounted, balancing the increasingly difficult recruiting and retention environment against reduced force structure requirements.

While the pay raise and specific concerns I have discussed are important, we need your support for other key initiatives in the military personnel program as well. Selective reenlistment bonus, special and incentive pays, full funding for recruiting and advertising programs, and improved reimbursement for family moving expenses.

The accumulating effect of overly conservative funding in recent years for military pay, variable housing allowances, essential bonus payments, PCS funds and recruiting resources has produced clear indicators that trouble lies ahead.

Mr. Chairman, I solicit your support and that of every member of this committee for the full 4.3-percent pay raise and the other initiatives I have outlined.

I am personally convinced that we have a unique opportunity now to avoid repeating the costing mistakes of the last decade and undoing some of the remarkable accomplishments that we, together, have achieved over the past 7 years.

Thank you for the opportunity to present these concerns to the subcommittee. I look forward to working with you and meeting these challenges.

[The prepared statements of Mr. Green, Lieutenant General Ono, Vice Admiral Edney, Lieutenant General Hudson, and Lieutenant General Hickey follow:]

STATEMENT OF THE
ASSISTANT SECRETARY OF DEFENSE
FORCE MANAGEMENT AND PERSONNEL
HONORABLE GRANT S. GREEN, JR.

INTRODUCTION

Mr. Chairman and Members of the Committee: Thank you for this opportunity to review Defense military recruiting, retention, and compensation programs. I look forward to working in cooperation with the Congress to face the challenges ahead, so that the readiness, motivation, and capability of our Armed Forces remain strong.

Last week I testified before this Committee concerning the full scope of Defense manpower requirements and personnel needs. In my remarks today I will discuss the Department's top priority as stated by the Secretary of Defense, preserving "...the quality of our people in the military, the ones we are able to recruit and ...retain." Recruiting, retention, and compensation are closely interrelated in meeting requirements for military manpower.

In response to the budget summit agreement, the Secretary has directed reductions in Service force structures--and the military end strengths that support them. But in doing so, he clearly emphasized that our first priority for the forces which remain is quality people. My focus will be on the actions we must take to attract and retain the quality people needed to sustain the military force levels entailed in these agreements.

RELIANCE ON THE VOLUNTEER FORCE

To begin, I would like to set aside assertions that either the austere funding climate or demographic considerations will force a shift in our basic reliance on volunteers through the next decade. Although recruiting and retention successes over the past 6 years have produced the best qualified force in our history, there are some who advocate either a return to conscription or a form of national service as a better way to meet military manpower requirements. These views generally stem from the mistaken beliefs that the declining youth population will make it impossible to meet recruit quality requirements, and that some form of conscription or national service will produce a higher quality force at less cost.

While the number of young people turning 18 has declined since 1979, the quality of military recruits has improved throughout this period. Interestingly, when the youth population peaked in 1979, none of the Services achieved their recruiting objectives. When the youth population bottoms out in 1996, we will need a smaller proportion of the youth population than was required in 1974--a good recruiting year.

There are many reasons for this paradox. Recruiting success depends upon a complex set of factors. The failures in the late 1970s followed years of budget reductions and neglect. Early in the 1980s, a strong commitment to military people led to substantial catch-up pay raises and improvements in their quality of life. The result was longer average enlistment terms that actually reduced the number of accessions required to support increasing end strength. Finally, additional recruiters, recruiting resources, and enlistment incentives allowed us to do a better job of locating those with a propensity to enlist. This led to sharply improved quality, motivation, productivity, and readiness.

But the fact that these policies have been successful during the 1980s does not necessarily mean they are appropriate for the future. Consequently, we have looked at both conscription and national service to see if they offer useful alternatives in meeting our requirements. Three studies of conscription, conducted since 1985, have concluded that the draft is a more costly approach to meeting our enlisted manpower requirements than seeking volunteers.

This is true whether we expand the experienced career force by 10 percent or shrink it by 15 percent. Why? Because the sharp increase in 2-year enlistments that would result requires too much of our effort (and experienced people) in the training base, and does not allow enough time for draftees to develop full individual or unit proficiency.

We are also nearing completion of what we believe to be the first comprehensive survey of the various proposals for national service. These initiatives differ in purpose and scope of participation. Some provide a national structure for purely voluntary programs with a local focus and might have relatively little impact on military manpower programs. Others provide incentives for participation, such as providing Federal educational assistance only to people who serve in various ways, or providing benefit vouchers for participation, or imposing a tax surcharge on nonparticipants. The most comprehensive require mandatory participation, offering alternative civilian service to those who object to or do not meet qualifications for military service.

Because of their diversity, it is difficult to assess the costs, benefits, or impact on Defense manpower needs of these proposals with great precision. Two frequently-discussed proposals would replace the Montgomery GI Bill. One would make Federal aid to education contingent on voluntary service. The other would broaden the scope of benefits to include vocational training or the down payment on a house, in addition to college expenses. Some suggest that those programs would attract about 1 million young people with 100,000 to 300,000 expected to serve 2-year enlistments in the military. Increasing the percentage of 2-year enlistments would, however, increase military personnel costs substantially. The Montgomery GI Bill is the foundation of programs (such as the Army College Fund) that have been important in attracting top quality youngsters, many of whom currently enlist for 3 or 4 years to obtain the maximum benefit. Estimates of the increased costs run to many billions of dollars.

Because the volunteer force has proven to be highly effective and we have demonstrated the ability to attract the number of people we will need during the next decade, there is no need for either a peacetime draft or national service to satisfy military manpower requirements.

RECRUITING

FY 1987 Results. In FY 1987, all Services met or exceeded their overall recruiting objectives, although some substitution between recruits with no prior service and prior service enlistments in Reserve components was needed to make up overall totals. Tables 1 and 2 reflect Service Active and Reserve Component enlisted recruiting results for FY 1987.

Recruit Quality. Because the Services recruit primarily from a youth population with limited work experience, military recruit quality has traditionally been defined in terms of educational attainment and aptitude test scores. The correlation between achievement of a high school diploma and successful completion of initial terms of enlistment is well established, with nongraduates attriting at twice the rate of graduates. The percentage of graduates has grown from 71 percent during the draft era (1964-1973) to 93 percent in FY 1987. Table 3 shows the trends in high school graduate rates among accessions since FY 1980.

TABLE 1

FY 1987 ACTIVE COMPONENT ENLISTED ACCESSIONS

	Objective	Achieved	Percent of Objective
Army	132,000	133,000	101
Navy	92,900	92,900	100
Marine Corps	34,700	34,900	101
Air Force	56,000	56,000	100
Total DoD	315,600	316,800	100

TABLE 2

FY 1987 RESERVE COMPONENT ENLISTED ACCESSIONS

	Objective	Achieved	Percent of Objective
Army National Guard	81,000	85,600	106
Army Reserve	77,100	76,400	99
Navy Reserve	35,800	34,200	96
Marine Corps Reserve	13,500	13,500	100
Air National Guard	13,300	13,300	100
Air Force Reserve	13,900	13,900	100
Total DoD	234,600	236,900	101

TABLE 3

ACTIVE COMPONENT HIGH SCHOOL DIPLOMA GRADUATES
(Percent of Non-Prior Service Accessions)

	1980	1981	1982	1983	1984	1985	1986	1987
Army	54	80	86	88	91	91	91	91
Navy	75	76	79	91	93	89	85	91
Marine Corps	78	80	85	92	95	97	98	98
Air Force	83	88	94	98	99	99	99	99
Total DoD	68	81	86	91	93	93	92	93

The second principal indicator of recruit quality is performance on the Armed Forces Qualification Test (AFQT). Scores on the test are reported in five categories. Those who score in Categories I and II are above average in their predicted ability to complete training and could qualify for admission to most colleges. Those in Category III are average in trainability, and those in Category IV are below average. Individuals with scores in Category V are well below average in trainability and by law are ineligible to enlist. The quality of recruits as measured by AFQT scores is up sharply over both the draft era and the early 1980s, as depicted in Table 4.

TABLE 4

ACTIVE COMPONENT AFQT CATEGORY I THRU III ACCESSIONS
(Percent of NPS Accessions)

	1980	1981	1982	1983	1984	1985	1986	1987
Army	44	65	78	85	87	91	96	96
Navy	80	86	88	90	89	90	90	90
Marine Corps	69	84	89	91	93	96	99	99
Air Force	87	90	92	97	98	99	99	99
Total DoD	65	79	85	89	90	93	96	95

During FY 1987, we also recruited more than 236,900 people for the Selected Reserves. Both the number and quality of Reserve accessions has improved markedly from the early 1980s, as reflected in Tables 5 and 6.

TABLE 5

RESERVE HIGH SCHOOL DIPLOMA GRADUATES
(Percent of Non-Prior Service Accessions) a/

	1980	1981	1982	1983	1984	1985	1986	1987
Army National Guard	69	68	72	70	75	83	87	88
Army Reserve	54	61	72	79	77	84	91	96
Navy Reserve	61	72	81	95	81	68	95	87
Marine Corps Reserve	38	79	89	94	95	98	99	98
Air National Guard	98	98	99	99	99	99	99	99
Air Force Reserve	92	97	99	97	96	97	99	99
Total DoD	65	70	76	78	80	84	91	92

a/ Includes equivalency certificate and diploma graduates and students currently in high school who are expected to graduate.

TABLE 6

RESERVE AFQT CATEGORY I-III ACCESSIONS
(Percent OF NPS Accessions)

	1980	1981	1982	1983	1984	1985	1986	1987
Army National Guard	80	85	87	93	90	89	86	92
Army Reserve	51	70	86	85	85	88	91	94
Navy Reserve	79	55	90	90	93	80	95	88
Marine Corps Reserve	76	90	93	95	94	90	99	98
Air National Guard	95	99	99	99	99	99	99	99
Air Force Reserve	92	97	97	99	99	99	99	99
Total DoD	73	81	88	91	90	89	91	92

Pre-accession Drug Screening. The FY 1988/1989 Defense Authorization Act requires the Department to test all new accessions for drug and alcohol use prior to entry into the Armed Forces. Testing is set to begin on June 1, 1988. Present in-service testing programs help ensure that military members maintain the drug-free environment necessary for operational readiness. This new testing program will provide us with an additional ability to screen out certain individuals whom we otherwise might have accepted for military service.

All applicants for service will be tested at the time they receive their qualification physicals. Urine tests will determine drug use, while breath or blood tests will be employed for alcohol detection. Those who test positive will be barred from service for varying time periods depending on the substance involved. This program is not without dollar costs. In FY 1988, the testing cost has been estimated at $8.2 million, increasing to about $25 million in future years. In addition, recruiting costs will probably increase, since there will be a higher disqualification rate among applicants.

Recruit Quality, Individual Performance, and Readiness. A 20-year history of military productivity research documents the contributions of both recruit quality and job experience to job performance. Studies by the RAND Corporation have demonstrated that high quality recruits develop higher levels of proficiency earlier in their careers and are more likely to complete their enlistments than those achieving lower scores on enlistment tests.

Another study conducted by the Human Resources Research Organization tested soldiers on job tasks during the first 5 years of service; performance test score gains resulted over the entire period. A Joint-Service Job Performance Measurement/ Enlistment Standards Project found scores on performance tests improve throughout the first term of service, with greatest gains during the second year.

These findings confirm the practical experience of field-commanders. Reductions in serious crime rates, unauthorized absence and other disciplinary infractions, remedial training, and disciplinary counseling have accompanied the rise in accession quality over the past 6 years. Coupled with better motivation and trainability, these trends have made commanders and supervisors vocal about their preference for quality recruits.

How much quality is enough? Research is beginning to establish the linkage between recruit quality, individual performance, and unit readiness. In response to a requirement in the FY 1988 DoD Appropriations Act, studies are underway to define these relationships in ways that may permit the evaluation of tradeoffs between resource investments and unit readiness. Some of the results of this effort will be reported to the Congress next January.

The basic conclusion is already clear: quality recruits develop higher levels of proficiency sooner than those with less ability. The volunteer force retains those quality recruits long enough for that proficiency to develop into real productivity.

The combination of ability and experience yields substantial increases in effectiveness.

Recruiting Objectives. Because of force structure changes, Service enlisted accession plans reflect significant turbulence. In particular, the Air Force accession requirements for FYs 1987 and 1988 were sharply reduced both from levels originally planned, and from the steady state requirement projected for FY 1989. Table 7 reflects the tentative recruiting objectives currently planned.

TABLE 7

ENLISTED ACCESSION PLANS
(in Thousands)

	Actual		Planned	
	FY 1986	FY 1987	FY 1988	FY 1989
Active Component				
Army	135.5	133.0	115.0	134.0
Navy	94.9	92.9	92.9	90.1
Marine Corps	36.8	34.9	36.0	31.4
Air Force	66.4	56.0	40.4	50.6
Total DoD	333.6	316.8	284.3	306.1
Reserve Component				
Army National Guard	82.8	85.6	81.7	77.4
Army Reserve	81.3	76.4	76.2	74.9
Navy Reserve	32.1	34.2	34.2	34.2
Marine Corps Reserve	13.8	13.5	13.6	13.6
Air National Guard	14.5	13.3	13.0	14.2
Air Force Reserve	14.4	13.9	13.2	13.2
Total DoD	238.9	236.9	231.9	227.5

Based upon a comparison between current recruiting objectives and the projected youth population, the Services will need to recruit 1 of every 19 qualified and available males between the ages of 18 and 24 during FY 1989. This compares favorably with the degree of market penetration experienced in recent years (see Table 8).

Recruiting Outlook. With the reductions in recruiting goals of 14,600 for the first quarter of FY 1988 (compared with the same period in FY 1987) the Services should have been able to increase their quality levels. That did not occur. The Services brought in 11,200 fewer high school diploma graduates, a decline of some 16 percent. A similar drop took place among those scoring average or above on the enlistment test. Had the recruiting goals remained at last year's levels, recruit quality would probably have declined substantially (see Figure 1).

TABLE 8

PROPORTION OF YOUTH POPULATION TO BE RECRUITED

FY	18-24 Year Old Male Population	Qualified 1/ 18-24 Year Old Males	NPS 2/ Male Accessions	% of Qualified 18 to 24 Year Olds Needed
1974	13,736,000	5,628,000	404,300	7.2
1979	15,186,000	7,147,600	340,600	4.8
1988	13,625,000	6,525,900	340,200	5.2
1996	11,840,000	5,544,000	370,800	6.7

1/ Estimate of the physically, mentally, and morally qualified men who have not had military service and are not in institutions.

2/ Table assumes all male NPS accessions are from these age cohorts. In fact, only 83 percent are 18-24 year olds, 9 percent are 17 years old and 8 percent are 25 or over.

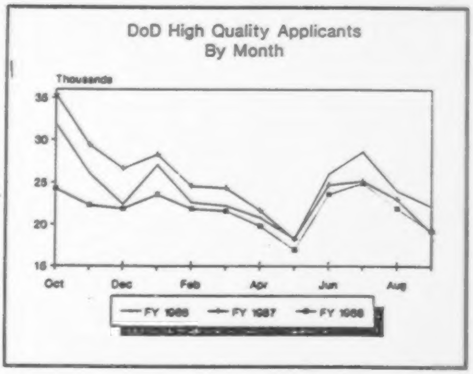


FIGURE 1. High Quality Applicant Trends

The Services have maintained their Delayed Entry Program (DEP) at or near desired levels. While the size of the DEP is satisfactory, it is also the result of reduced recruiting objectives. For the first quarter of the year, Army achieved only 87 percent of its new contract mission. The Navy, while making its goals during the quarter, missed the January goal by a substantial margin. In sum, recruiting has become increasingly difficult for the Services. While they will probably complete FY 1988 with a sufficient number of high quality recruits, we are concerned about FY 1989.

We believe these patterns result principally from reductions in recruiting and advertising resources during FYs 1986 and 1987, consistent with a 10-year pattern that relates overall accession quality with the level of recruiting resource support (see Figure 2).

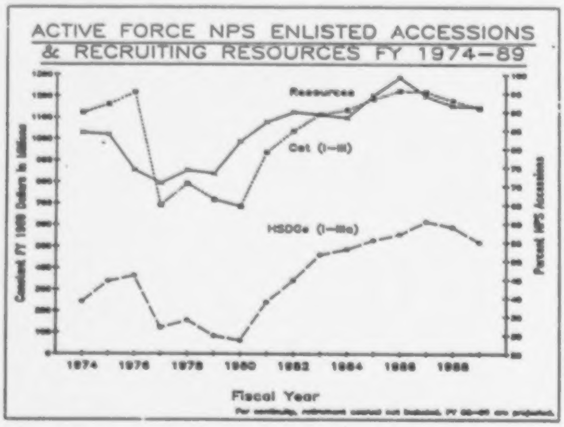


FIGURE 2. Resources and Recruiting Success

Joint Recruitment Advertising Program (JRAP). This program complements and supports Service recruiting and advertising efforts by creating positive awareness of the benefits and opportunities common to all Services. JRAP provides centralized support for the Services that would cost considerably more if each Service were to duplicate these activities individually. We are constantly exploring ways to consolidate functions and effect cost savings while achieving the same advertising effectiveness. Presently, joint programs include national television advertising, direct mail to Selective Service System registrants, an annual DoD magazine distributed to 2.8 million high school seniors, production of Montgomery GI Bill brochures, and the purchase of prospect lists for use by the Services.

However, a proper balance between JRAP (corporate) and Service-unique (product) advertising is essential. The Services have had successful recruiting results during the past several years, and we believe advertising has contributed significantly to this success. As the economy continues to improve and the enlistment-age youth population declines, the recruiting environment will become more difficult and advertising will play an even more important role.

The Montgomery GI Bill. This new program has been in place now for 32 months, and is considered to be an excellent benefit by Service members. In light of reduced recruiting budgets and the increasing gap between military and private sector pay raises, educational benefits and other quality of life programs take on increasing importance. While several factors influence Service recruiting, it is clear that the Montgomery GI Bill is popular and has been effective in increasing recruit quality in the active components and the length of enlistment contracts for the Reserve components. Participation rates have steadily increased since the program's inception. Table 9 shows the rates for the October-December 1987 period.

TABLE 9

MONTGOMERY G.I. BILL PARTICIPATION RATES
(Percent)

Service	Participation
Army	91.6
Navy	64.7
Marine Corps	73.3
Air Force	67.8
Total DoD	76.5

RETENTION

After recruiting sufficient numbers of military men and women, training them in appropriate specialties, and helping them gain the experience necessary to perform effectively as they progress through the lower grades, we must establish appropriate incentives and screening mechanisms to ensure that we can retain the kinds and numbers of men and women needed to sustain the career force.

The penalties associated with insufficient retention are severe. Most notable is a reduced mission capability, but there are longer-term effects that are no less serious. Lower retention leads to less selectivity in choosing the future leaders of the officer and enlisted force and fewer experienced people in the middle grades to provide the supervision and on-the-job training essential to effective performance.

Because lower retention drives higher accessions, it means greater training costs and higher trainee-to-supervisor ratios. It means placing substantially greater demands on the remaining Service members. Most serious of all, it means that all of these conditions will continue for many years, because significant losses of trained and experienced officers and enlisted members cannot be recouped in the short term. These unavoidable effects of inadequate retention are well known, and I do not mean to belabor them unnecessarily. We are all aware of the painful crisis of the late 1970s and the cost of recovery. My concern is that time may have healed the wounds too well as the damaging effect of those losses has been followed by years of favorable experience.

Enlisted Retention. Enlisted retention peaked in FY 1982, and many reenlistment numbers subsequently have dipped several percentage points below their high water marks. This is not to say we have an immediate crisis--reenlistment rates continue at satisfactory levels for the most part (see Table 10).

TABLE 10

REENLISTMENT RATES
(Percent)

FY	ARMY	NAVY	USMC	USAF	DOD
1979	56.2	47.3	33.5	60.4	52.9
1980	62.2	48.2	35.4	60.0	55.4
1981	66.7	54.6	43.2	65.8	60.6
1982	72.1	63.6	48.9	73.8	68.2
1983	64.2	68.1	48.2	78.8	67.6
1984	62.9	68.4	55.5	76.4	67.0
1985	61.5	66.1	50.9	70.0	63.9
1986	58.5	67.8	60.6	73.5	64.9
1987	59.7	66.1	52.1	77.6	65.2

The signs are clear that we should be concerned about the future. In FY 1987, the Marine Corps achieved only 93 percent of its first-term reenlistment goal, and the Navy fell short of both its second-term and career reenlistment objectives. During the first quarter of FY 1988, first-term reenlistment figures trailed comparable statistics for FY 1987 in three of the four Services.

We have specific concerns about retention for certain segments of the enlisted population that we view as leading indicators. These groups include members serving in particularly arduous duty, and highly-trained individuals with skills that are in high demand in the private sector.

Retention among second-term and career Navy petty officers--many of whom must serve extended tours of sea duty away from their families--is already lagging several percentage points behind last year's relatively low numbers. Similarly, continuation patterns for members with higher-technology skills have declined steadily since 1984--at a greater rate than for the overall enlisted population (see Figure 3).

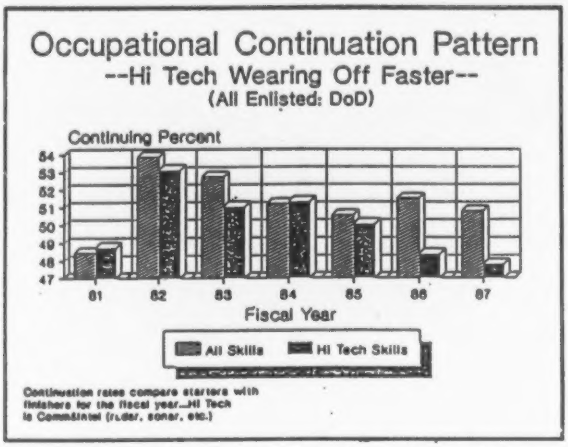


FIGURE 3. Enlisted Occupational Continuation Pattern

The overall continuation rate for officers shows a similar trend (see Figure 4), and rates for pilots and nuclear officers are a particular concern. These groups of people play key roles in the accomplishment of our mission, and we can ill afford either to allow these trends to continue or to permit their expansion to the broader military population.

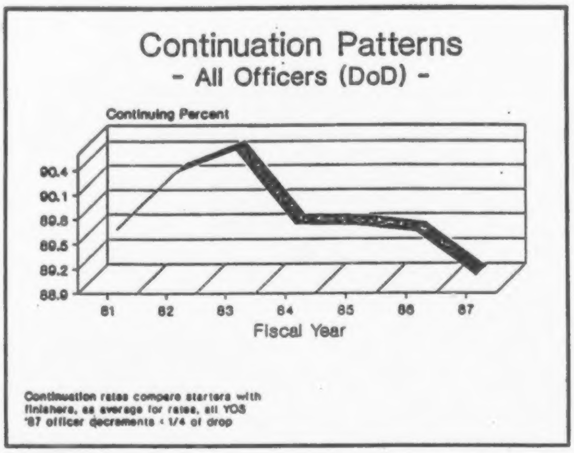


FIGURE 4. Officer Continuation Patterns

Most of the retention curves now have a noticeably downward slope, indicating that we have wrung the last retention benefit from the compensation improvements enacted in the early 1980s.

Reenlistment Bonuses. While annual comparability pay adjustments are designed to maintain overall retention levels, the Selective Reenlistment Bonus Program is designed to preclude career force shortages in key skills, if possible; if not, it helps to alleviate them. These specialties involve especially arduous duty, highly developed skills, or mission-critical assignments (e.g., Aviation Systems Repair, Electronic Warfare, Air Controller, Infantry). Bonuses provide our only capability to retarget resources quickly to accommodate changes in retention.

Selective reenlistment bonuses are paid to members who reenlist or extend for at least 3 years. They enable the Services to protect extensive investments in training and experience in highly-skilled people and avoid the substantial accession, training, and readiness costs associated with replacing them.

Bonus expenditures for FY 1987 were well below FY 1986, and this program austerity will continue through FY 1989. I have already described declining retention in the higher-technology skills; these trends in bonus funding levels limit our ability to maintain critical skill manning if the retention turndown accelerates, increasing risks. I ask your support for full funding of our request for this cost effective program.

Pilot Retention. The readiness of our forces dictates that we find a solution quickly to an unacceptably high loss of pilots. While no immediate problems exist in either the Army or Marine Corps, the most recent estimate of the Navy shortfall is about 1,200 pilots in the mid-grades (lieutenants and lieutenant commanders). The Air Force is projecting a serious shortfall. Despite a decrease of approximately 1,400 pilot requirements over the next 5 years, the inventory will dip below requirements in FY 1989. The shortfall will grow to about 2,500 by FY 1993. These pilot retention problems result primarily from unprecedented commercial airline hiring that will continue well into the 1990s.

We are developing a legislative proposal that would provide a flexible new bonus program to address each Service's unique problems. The proposed budget includes funding for this important initiative. While the bonus program is the centerpiece of our compensation initiatives to stem the continuing losses, we also are working other remedies, such as reducing nonflying workloads, improving the work environment, extending active duty service obligations, and new accession programs. Many of these nonmonetary management initiatives will, however, take several years to implement fully. We need the bonus program to solve the existing problem, which will continue to grow if we do not act now.

Nuclear Officer Shortages. The Department also is experiencing a shortage of senior, experienced, nuclear-trained naval officers. The current shortage in the submarine community of 516 officers in the ranks of lieutenant commander through captain amounts to 28 percent of the requirements in those grades. Retention among nuclear submarine officers has declined from a high of 48 percent in FY 1985 to 39 percent in FY 1987. The nuclear surface community is only marginally better off, with 45 percent retention in FY 1987. Retention in both communities is below the rates needed to sustain the mid-grade requirements. At the same time, we have been unable to increase accessions sufficiently to make up manning shortfalls.

Several initiatives have been undertaken to combat this declining trend, including expansion of shore duty opportunities, increased opportunities for post-graduate education, an increase in Nuclear Officer Continuation Pay from $9,000 to $10,000 per year, and--with the support of Congress--an increase in Submarine Pay and an extension of SPOT promotion authority for selected nuclear-qualified lieutenants filling lieutenant commander billets.

We are hopeful that these initiatives will improve the current situation, but long-term progress will require sustained effort and your continuing support for these crucial incentive programs.

Medical Shortfalls. The Assistant Secretary of Defense for Health Affairs leads the Department effort to address the wartime medical shortfalls which have been of such concern to this Committee. Recruiting, retention, and compensation initiatives play a key role in supporting those efforts. Although a subsequent hearing will address these matters in more detail, they bear mentioning in this context.

The Joint Recruitment Advertising Program has worked closely with Health Affairs to support the publicity and direct mail campaigns currently underway, and will place paid advertisements into key markets. Moreover, the legislative support provided by this Committee to increase the maximum accession and retirement ages and to authorize more flexible recruiting and retention incentives are beginning to show some results. Action by this Committee to remove the ceiling on special pays will also begin to take effect in FY 1989, if funds requested are provided by the appropriations committees. We are extremely interested in resolving these shortfalls, because the quality of health care provided in both peacetime and war is critical to troop morale and retention.

FY 1989 RECRUITING AND RETENTION RESOURCES

As I have shown, we face real challenges now in attracting and retaining the right people, and those challenges will grow tougher in the years ahead. Although the problems are significant, and there is some risk that the Department could fall short of its goals, the risks are by no means insurmountable.

Our program is based upon a balanced mix of recruiting and retention incentives designed to appeal differentially to particular segments of the recruiting market and to retain those with skills (e.g., pilots) that are especially critical to mission accomplishment. No single incentive or program can satisfy all the diverse requirements of the Services. The Montgomery GI Bill, recruiting resources, enlistment bonuses, and recruitment advertising work together. We are conducting a cooperative study with the Army, as requested in the FY 1988 DoD Appropriations Act,to increase our knowledge of how the mix of these incentives can best be balanced to help meet Service requirements for quality people. We will keep the Congress advised as we obtain further information.

Recruiting and Advertising Resources. Tables 11 and 12 summarize the Active and Reserve Force FY 1987 actual, FY 1988 programmed, and FY 1989 budgeted recruiting and advertising resources.

The FY 1989 request for active force recruiting resources is approximately $37.3 million (or about 2.6 percent) more than the FY 1988 program. Analysis of the difference in funding levels between FY 1988 and FY 1989 indicates the current dollar increase falls about 1.1 percent below inflation. This trend is tied to reduced accession levels. The Joint Recruitment Advertising Program is projected to grow by $7.2 million after inflation to offset Service budget reductions.

TABLE 11

ACTIVE FORCE RECRUITING RESOURCES 1/
(Current $ in Millions)

Service	Actual FY 1987	Program FY 1988	President's Budget FY 1989
Army	643.8	625.8	642.4
Navy	311.1	329.6	327.4
Marine Corps	184.4	187.9	193.1
Air Force	151.8	150.9	156.4
Joint Programs 2/	106.1	114.7	127.1
Active Total: 3/	$1,397.2	$1,408.9	$1,446.2

1/ Numbers may not add due to rounding.

2/ Includes the DoD Recruitment Facilities Program, Joint Market Research Program, and the Joint Recruitment Advertising Program. (All joint programs support both active and reserve components.)

3/ Includes education "kickers" (Army College Fund and Navy Sea/College Program) to the Montgomery GI Bill.

The FY 1989 Air Force program matches projected inflation, reflecting a slightly increased accession level for FY 1989 over FY 1988. The other three Services actually lose buying power

TABLE 12

RESERVE COMPONENT RECRUITING RESOURCES 1/ 2/
(Current $ in Millions)

Component	Actual FY 1987	Program FY 1988	President's Budget FY 1989
Army National Guard	309.3	288.7	292.6
Army Reserve	198.0	220.8	216.7
Navy Reserve	84.5	99.9	102.1
Marine Corps Reserve	24.8	24.9	24.8
Air Force Reserve	32.4	35.9	36.4
Air National Guard	53.7	48.6	49.3
Reserve Total:	$702.7	$718.8	$721.9

1/ Numbers may not add due to rounding.

2/ Includes costs for all Reserve enlistment incentive programs and funding for the Montgomery GI Bill.

when compared to their FY 1988 resource programs. These austere budgets reflect Service efforts to realign resources to achieve revised accession levels associated with end-strength adjustments.

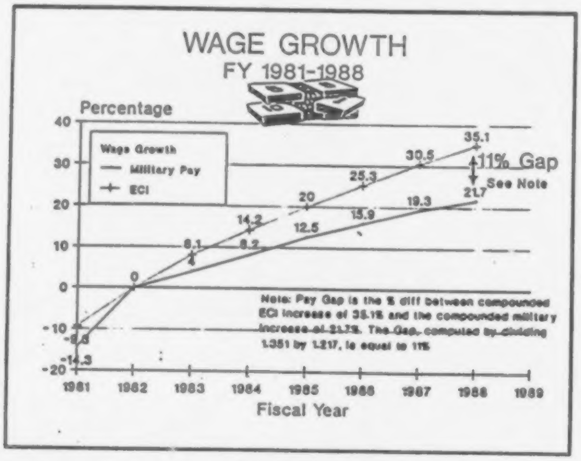
The FY 1989 request for Selected Reserve recruiting is about $3.1 million (0.4 percent) more than the FY 1988 program. The small increase from FY 1988 to FY 1989 trails 3.3 percent behind projected inflation. Although 4 of the Reserve component programs reflect a slight increase in current dollars, none is large enough to cover inflation. The remaining programs actually reflect decreases in current dollars. Analysis of all Reserve recruiting resources shows the only category reflecting a real increase is medical recruiting incentives (Stipends/Loan Repayments). Were it not for the increase to the Health Professional Incentive Programs (about $10 million), total recruiting resource dollars would decline substantially between FY 1988 and FY 1989. These incentive increases are key components of our plan to improve medical manning and reduce chronic shortfalls. FY 1989 Reserve recruiting success depends on a fully funded request.

COMPENSATION PROGRAMS

The most urgent request in the Defense manpower program for FY 1989 is a 4.3 percent pay raise for military personnel. The reason the pay raise is so important is that adequate compensation is the foundation for the volunteer force. Such functions as recruiting and retaining quality personnel, motivating them to perform to the best of their ability, and providing good quality of life programs presuppose that basic military compensation compares favorably with private sector alternatives, and that it provides a reasonable standard of living for military people and their families. The trend over the past several years of capping basic pay increases below the level needed to keep pace with the general rate of pay increases in American society causes great concern that the solid foundation built in FY 1981 and 1982 is eroding.

Military Pay. Military pay raises continue to fall behind increases in the private sector. For 6 consecutive years, the military pay raise has lagged behind private sector wage growth, as measured by the Employment Cost Index (ECI). The gap between military and civilian pay raises has now reached 11 percent, as shown in Figure 5.

This pattern is similar to the trend in the late 1970s when military compensation steadily eroded to the point that the Department could not recruit and retain the quality people needed to fulfill its mission requirements. The recovery from that period was neither cheap nor easy. It required a cooperative effort between the Congress and the Administration that included combined catch up pay raises of 26 percent, a variable housing allowance, increases in selected special and incentive pays, greater reimbursement for moving expenses, and significant funding increases for quality of life programs.



Note: Pay Gap is the % diff between compounded ECI increase of 35.1% and the compounded military increase of 21.7%. The Gap, computed by dividing 1.351 by 1.217, is equal to 11%

FIGURE 5. Wage Growth.

I hope that we can work together to prevent a repeat of the manpower difficulties of the late 1970s. The leading indicators are clear. In addition to the recruiting and retention trends that I spoke of earlier, studies in recent years show military members earning less than civilians in most of the occupations compared, and exit surveys indicate that pay is increasingly mentioned as the primary reason for leaving military service. A 4.3 percent military pay raise that approximates private sector wage growth and clearly reverses the trend toward an ever widening gap is the cornerstone for maintaining a quality military force. I urgently request your support.

Variable Housing Allowance. Compounding the military pay gap has been the decline in the value of the Variable Housing Allowance (VHA). The overall VHA rates have not been allowed to increase since FY 1986, even though housing costs have climbed 8.5 percent. As a result, combined housing allowances fall short of meeting member costs by over 22 percent, instead of the 15 percent Congress intended when it restructured the military housing allowances in 1985.

The FY 1988 funding freeze has been particularly damaging to military members. On January 1, 1988, approximately 60 percent of those receiving VHA had a reduction in their allowance, and over 80,000 members experienced a reduction in take-home pay even though a 2-percent pay raise went into effect at the same time. We are greatly concerned about the effect the VHA restrictions are having on the morale of members and their families.

The VHA program, as structured under law, is a fair and sound one. It enables military members to get adequate housing at any location in the United States by basing the allowance on housing costs in the local area. Contrary to a common misperception, the program, by basing the rates on the housing expenses reported by military personnel, does not produce a constantly-self-perpetuating increase in VHA rates. The law restricts the overall increase in rates in any particular year to no more than the average housing cost increase that has already occurred in the civilian community as found in surveys conducted 2 years prior to the VHA rate increase. Thus, even with annual increases, VHA would lag civilian housing cost growth by 2 years.

We believe that the VHA program should be allowed to operate as intended, and military personnel should receive an increase in rates to cover increased housing costs. The revised President's Budget includes a 3.4-percent increase in VHA in FY 1989 to cover the increase in housing costs over the past year. It is imperative that the value of this important allowance not be further eroded.

Overseas Station Allowances. Military people assigned overseas receive, in addition to their basic pay and basic allowance for quarters and subsistence, 2 additional allowances that help offset higher costs in the overseas area. One, the Overseas Housing Allowance (OHA), in combination with the basic allowance for quarters, reimburses members for the cost of housing up to a specified ceiling. The other, the Cost of Living Allowance (COLA), is paid when the average cost of living in the overseas area exceeds that in the continental United States. The COLA is based upon a cost comparison of a market basket of goods, excluding housing. Military members are protected by these allowances against both price increases in the local area and changes in the currency exchange rate. Adjustments for currency fluctuations are made as often as every 2 weeks.

Though military members are protected from currency fluctuations, we have a serious funding problem because the Foreign Currency Fluctuations, Defense (FCF,D) account cannot be used for Military Personnel Appropriations (MPA) and current authority to transfer unobligated balances to FCF,D is restricted to Operations and Maintenance (O&M) appropriations. In FY 1988, increased outlays for foreign currency fluctuations are estimated to be $1 billion in O&M and $0.5 billion in MPA.

The Congress has previously denied our request to include the military personnel appropriation as a participant in the FCF,D appropriation and to transfer expired prior year unobligated funds, other than O&M balances, to the FCF,D appropriation. Without such authority, the Services may be required to accommodate the increased costs in the O&M and military personnel appropriations. The adjustments would have adverse effects on readiness.

Permanent Change of Station (PCS). The permanent change of station (PCS) program has been a principal focus for containing costs over the past few years. DoD implemented policy changes and management actions to reduce personnel turbulence, which resulted in savings of $300 million in FY 1986. We increased the overseas tours for Army first-termers to 24 months, established more restrictive tour length minimums, adopted incentives to encourage members serving overseas to extend tours voluntarily, and tightened waiver authority by requiring approval at higher command levels. We are currently improving a PCS management information system to provide us additional data for making PCS policy decisions.

There are 2 other compensation-related areas that are giving us difficulty. As will be shown in a forthcoming report to the

Congress, the reimbursement paid to military members for moving expenses is considerably less than that provided to Federal civilians. The 1987 DoD Household Goods Weight Allowances Report to Congress shows that 15 percent of enlisted members and 19 percent of officers experienced excess household goods weight charges averaging 62 percent of 1 month's basic pay. This problem is compounded by actions by the appropriating committees that restricts funding for the dislocation allowance to the value of 1 months' basic allowance for quarters (BAQ), rather than 2 as authorized under current law. We are working to include funding for these programs in the next budget request, and will need your support in the appropriations process.

A recap of the key military personnel programs that require congressional support is included in Figure 6.

KEY MILITARY PERSONNEL INITIATIVES

- Basic Pay Raise
- Variable Housing Allowance Increase
- Selective Reenlistment Bonuses
- Special and Incentive Pays
- Continuation Bonus for Pilots
- Full Funding for Recruiting and Advertising Programs
- Improved Compensation for Family Moving Expenses

FIGURE 6. Military Personnel Initiatives

SUMMARY

Last year, we reported to the Congress that recruit quality was at an all time high and that the career force was growing in size, quality, and experience. In FY 1986, 92 percent of active force recruits were high school diploma graduates, and 96 percent scored average or above on the enlistment test. Reserve recruiting was similarly successful. Although both first term and career reenlistment rates were somewhat below their 1982-1984 peaks, they continued at highly satisfactory levels throughout FY 1986. We cautioned, however, that reductions in the purchasing power of military pay, variable housing allowances, essential bonus payments, and PCS funds increased the risk that these favorable statistics might deteriorate. Although we sustained the FY 1986 level of recruiting success through FY 1987, these results were based largely on recruiting activities funded in FY 1986 and unplanned reductions in accession levels.

We have begun to see clear indications that 6 years of pay caps as well as recruiting and advertising budget reductions in FYs 1986 and 1987 have taken a toll. Both recruiting and retention are showing unfavorable trends that represent individual decisions made before the impacts of the recent budget summit were announced (trimming the pay raise from 4 percent to 2 percent and a VHA rate adjustment that cut take home pay for 80,000 members). A renewed commitment on the part of the Administration and the Congress to preserve the value of military compensation is essential to continue the strong underpinning of national defense represented by men and women in uniform.

Mr. Chairman, I solicit your personal support, as well as that of every member of this Committee, for the 4.3 percent pay raise, the VHA adjustment, and full funding of the other legislative initiatives I have just outlined. Strong action now to reassure the people we need to retain, by clearly reversing the trend toward a widening gap between military compensation and private sector wages, will forestall unacceptable losses. To do less runs the real risk of repeating the costly mistakes of the 1970s and undoing the improvements in military personnel posture which the Administration and the Congress have achieved over the past 7 years.

Thank you for the opportunity to present these concerns to the Committee. I look forward to working with you to face these challenges.

STATEMENT BY

LIEUTENANT GENERAL ALLEN K. ONO

DEPUTY CHIEF OF STAFF FOR PERSONNEL

U.S. ARMY

INTRODUCTION

MISTER CHAIRMAN, MEMBERS OF THE COMMITTEE, I APPRECIATE THIS OPPORTUNITY AS DEPUTY CHIEF OF STAFF FOR PERSONNEL TO ADDRESS YOU ON BEHALF OF THE TOTAL ARMY -- THE ACTIVE FORCE, THE ARMY NATIONAL GUARD, THE ARMY RESERVE AND THE ARMY CIVILIAN WORK FORCE. THESE COMPONENTS TOTAL OVER 1.9 MILLION INDIVIDUALS AND REPRESENT OUR MOST IMPORTANT ASSET -- ITS PEOPLE.

THE ARMY HAS DESIGNATED 1988 AS THE YEAR OF TRAINING. IN VIEW OF OUR PRESENT CHALLENGES AND IMPORTANCE OF USING OUR CONSTRAINED RESOURCES TO THE FULLEST POSSIBLE EXTENT, IT IS MY JOB TO ENSURE THAT THE OFFICERS, NON-COMMISSIONED OFFICERS, AND SOLDIERS ARE THE BEST THIS COUNTRY CAN OFFER. QUALITY LEADERS AND SOLDIERS HAVE DEMONSTRATED THEIR VALUE TIME AND TIME AGAIN. THEY ARE MORE PRODUCTIVE, EFFICIENT AND RESPONSIVE TO THE TASKS AND MISSIONS GIVEN THEM. THIS IS ABSOLUTELY CRITICAL WHEN RESOURCES ARE LIMITED.

THE CELEBRATION OF THE BICENTENNIAL YEAR OF THE CONSTITUTION SERVED TO HIGHLIGHT THE ARMY'S HISTORICAL ROLE IN CARRYING OUT OUR NATIONAL SECURITY OBJECTIVES.

SINCE THE SIGNING OF THE CONSTITUTION, WE HAVE CHANGED BOTH AS A NATION AND AS AN ARMY, BUT THE NEED FOR A QUALITY FORCE DEDICATED TO THE SUPPORT AND DEFENSE OF THE NATION HAS NOT CHANGED.

IT IS EVIDENT BY EVENTS IN TODAY'S HEADLINES THAT CONFLICT CAN ARISE SUDDENLY AND UNPREDICTABLY IN TODAY'S COMPLEX WORLD. THE ARMY MUST BE PREPARED TO ACT RAPIDLY AND EFFECTIVELY TO THE "WINDS OF CHANGE" BECAUSE WE CANNOT PREDICT EVERY CONTINGENCY.

TODAY, I WILL ADDRESS A FEW OF MY MAJOR CONCERNS THAT MUST BE MET HEAD ON. I KNOW YOU CARE AND WANT TO MAINTAIN A STRONG AND READY ARMY.

QUALITY OF THE FORCE

AS YOU KNOW, OUR FOCUS IS ON WARFIGHTING. IT'S MY MISSION TO ENSURE THAT OUR COMBATANT COMMANDS, INDEED, THE TOTAL ARMY IS SUPPLIED WITH QUALITY PERSONNEL. THIS IS MY NUMBER ONE PRIORITY. TO RECRUIT AND RETAIN QUALITY OFFICERS, NCO'S AND SOLDIERS. OVER THE LAST SIX YEARS, WITH YOUR SUPPORT, WE HAVE MET THIS CHALLENGE. WE MUST ENSURE THAT THE DECISIONS AND ACTIONS OF TODAY WILL SUSTAIN OUR QUALITY ARMY INTO THE FUTURE, AN ARMY THAT RECRUITS AND TRAINS THE BEST YOUNG SOLDIERS AND LEADERS OUR NATION HAS TO OFFER.

AS NOTED IN FIGURE 1, 91% OF ALL ACCESSIONS INTO THE ACTIVE COMPONENT ARE HIGH SCHOOL DIPLOMA GRADUATES. ONLY 4% ARE IN THE LOWEST ELIGIBLE TEST SCORE CATEGORY.

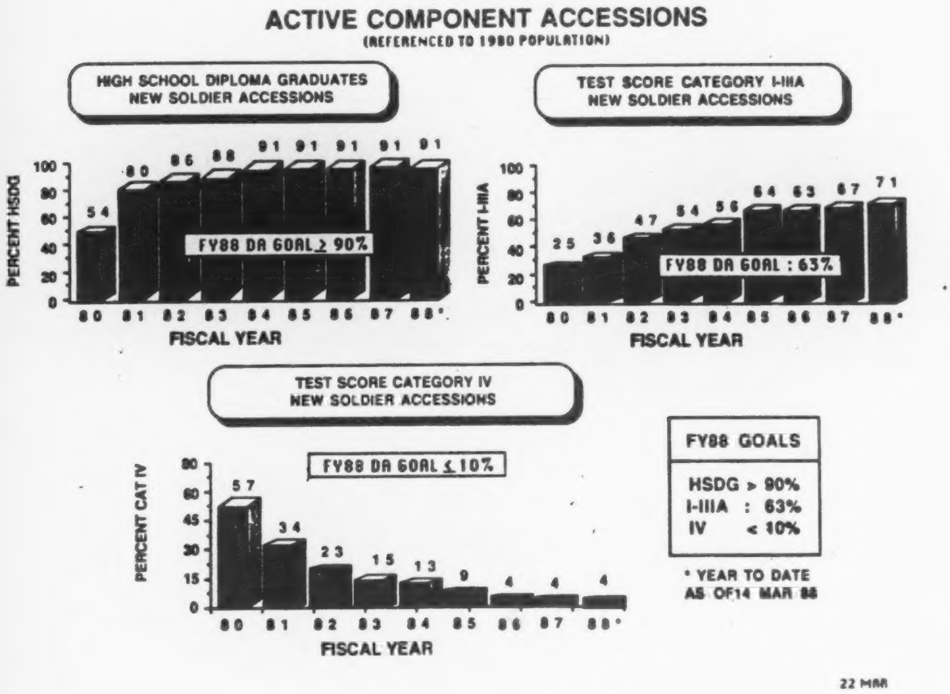


FIGURE 1

THIS ACHIEVEMENT IS UNPARALLELED IN THE HISTORY OF THE ARMY AND IS REPEATED IN THE RESERVE COMPONENTS AS NOTED IN FIGURES 2 AND 3.

ARMY NATIONAL GUARD ACCESSIONS

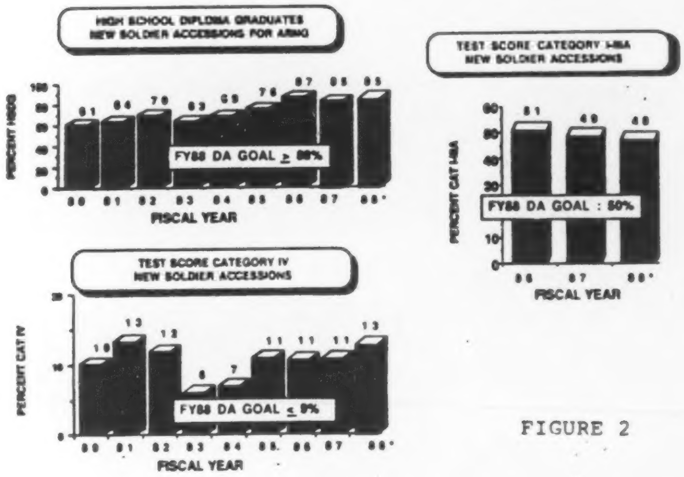


FIGURE 2

ARMY RESERVE ACCESSIONS

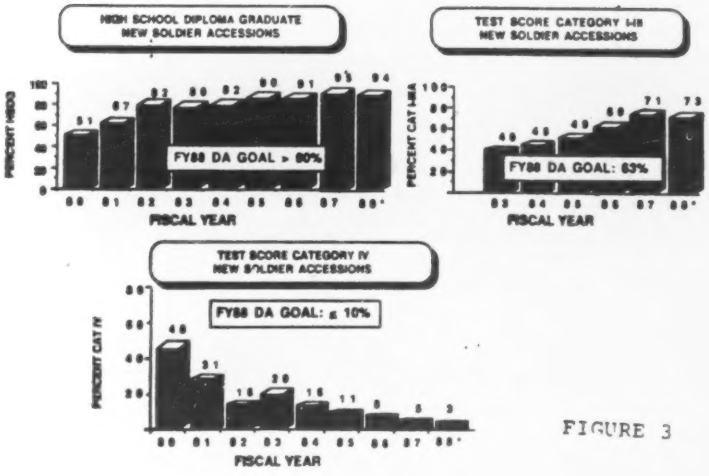


FIGURE 3

RECRUITING

IN ORDER TO RECRUIT THESE SOLDIERS, WE MUST BE COMPETITIVE AND OFFER WHAT YOUNG AMERICANS WANT AND NEED. THE DEMOGRAPHIC TRENDS TELL US THAT THE AVAILABLE POOL OF HIGH QUALITY AMERICANS IS SHRINKING AND WILL CONTINUE TO SHRINK WELL INTO THE 1990'S. DESPITE DEMOGRAPHIC TRENDS AND AN IMPROVING ECONOMY, WE HAVE CONTINUED TO SUCCEED IN MEETING OUR RECRUITING AND RETENTION GOALS IN BOTH QUALITY AND QUANTITY. HOWEVER, DUE TO THE CONTINUING IMPROVEMENTS IN THE ECONOMY, THE DECLINING POOL OF ELIGIBLE QUALITY MANPOWER FROM WHICH WE DRAW, A WIDENING DISPARITY IN PAY COMPARABILITY, AND A REDUCTION OF APPROPRIATIONS FOR QUALITY OF LIFE PROGRAMS, MAINTAINING THIS FORCE WILL BECOME MORE CHALLENGING. IF GIVEN THE NECESSARY RESOURCES, WE CAN CONTINUE TO PROVIDE YOUR NATION WITH QUALITY SOLDIERS.

ARMY RECRUITING PROGRAMS CONCENTRATE ON ENLISTING HIGH SCHOOL DIPLOMA GRADUATE AND AFQT CATEGORY I-IIIA PERSONNEL THROUGH THE USE OF RECRUITING MISSION, TARGETED EDUCATION BENEFITS, ENLISTMENT BONUSES IN SPECIFIC OCCUPATIONAL CATEGORIES AND OTHER SPECIAL INCENTIVES (E.G. TERM OF SERVICE, STATION OF CHOICE).

THE ARMY WOULD HAVE LITTLE TROUBLE MEETING ITS AGGREGATE QUALITY MANPOWER NEEDS IF ONLY ATTRACTIVE, HIGHLY MARKETABLE SKILL TRAINING WAS OFFERED. UNFORTUNATELY, THIS IS NOT THE CASE. THE REAL PROBLEM FOR THE ARMY IS IN THE DISTRIBUTION OF QUALITY RECRUITS TO LESS DESIRABLE, YET HIGHLY CRITICAL, POSITIONS. AS A RESULT THE ARMY EMPLOYS A BROAD RANGE OF INCENTIVES TO ATTRACT AND DISTRIBUTE HIGH QUALITY ENLISTEES.

THE MOST EFFECTIVE INCENTIVE FOR QUALITY SOLDIERS IS THE PROGRAM THAT PROVIDE EDUCATIONAL BENEFITS. THE NEW MONTGOMERY GI BILL AND THE ARMY COLLEGE FUND (ACF) ARE THE EDUCATIONAL INCENTIVES THAT ARE TARGETED AT THE COLLEGE-ORIENTED MARKET

SEGMENT.

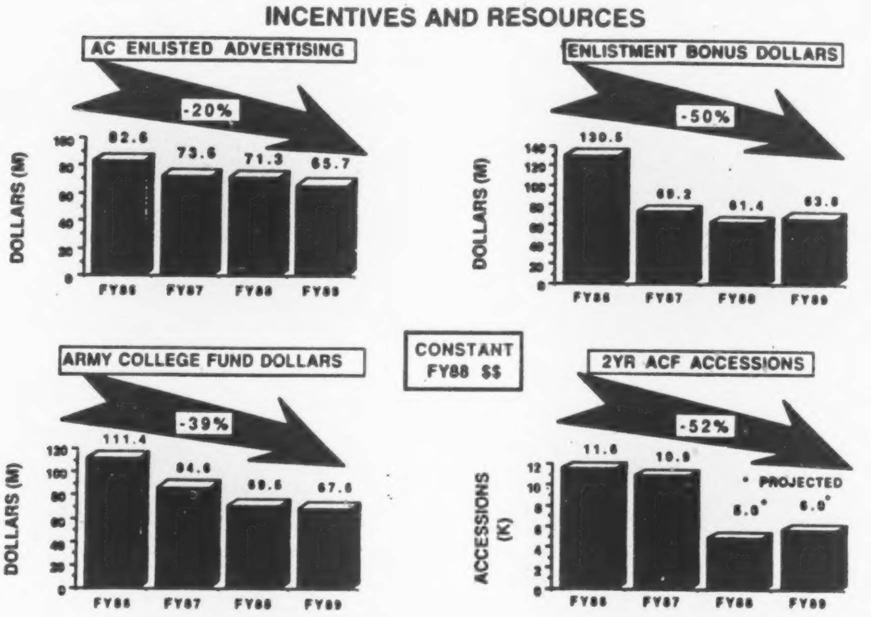
THE ARMY NEEDS THE ARMY COLLEGE FUND IN ORDER TO ATTRACT QUALITY RECRUITS. THE "KICKERS" THAT THE ARMY COLLEGE FUND PROVIDES ARE ATTRACTIVE TO YOUNG, COLLEGE-BOUND PERSONS. ADDITIONALLY, EDUCATION BENEFITS ARE A WISE INVESTMENT IN AMERICA'S FUTURE AND A WORTHWHILE BENEFIT FOR A YOUNG PERSON WHO HAS CHOSEN TO SERVE HIS/HER COUNTRY.

THE CASH ENLISTMENT BONUS OPTION (EB) IS DIRECTED MORE TOWARDS THE EMPLOYMENT ORIENTED SEGMENT OF THE QUALITY MARKET. NEW RECRUITS CAN RECEIVE BETWEEN $1,500 AND $8,000 IN ENLISTMENT BONUS DOLLARS FOR VOLUNTEERING FOR CERTAIN CRITICAL SPECIALTIES. THE OPTION IS ALSO USED TO DIRECT A FLOW OF QUALITY RECRUITS TOWARD MOS'S THAT ARE CRITICALLY SHORT IN QUALITY FILL. IN FY 86, 23% OF THE FOUR YEAR QUALITY ENLISTEES WHO RECEIVED A BONUS INDICATED THAT THEY WOULD NOT HAVE ENLISTED IN THE ARMY WITHOUT IT AND 18% SAID THAT THEY WOULD HAVE ENLISTED IN A DIFFERENT MOS IF NOT FOR THE BONUS.

THE ARMY OF TODAY REQUIRES BRIGHT, HIGHLY MOTIVATED AND COMMITTED SOLDIERS. ENLISTMENT INCENTIVES ARE TAILORED TO ATTRACT THESE HIGH QUALITY SOLDIERS WHO HAVE ADDED SO EFFECTIVELY TO OUR READINESS IN RECENT YEARS. IN FACT OUR CURRENT SUCCESS IS PARTLY A PRODUCT OF THE AVAILABILITY OF INCENTIVES SUCH AS THE ARMY COLLEGE FUND AND ENLISTMENT BONUS.

WHEN WE LOOK AT RECRUITING A FACTOR TO CONSIDER IS YOUTH'S PROPENSITY TO ENLIST. THIS IS MEASURED BY THE ANNUAL YOUTH ATTITUDE TRACKING STUDY. IT SHOWED AN OVERALL SERVICE PROPENSITY UP SLIGHTLY FROM 1984. AIR FORCE'S POSITIVE PROPENSITY IN 1987 JUMPED FROM 16.0 TO 18.2 PER CENT, A LARGE INCREASE. BUT THE LOWER PROPENSITY FOR THE ARMY HAS REMAINED STABLE FROM 1984 TO 1987. THE COMPETITION IS TOUGH; THE POOL IS SHRINKING; THE ARMY HAS THE LARGEST DOD MISSION; AND WE NEED INCENTIVES AND RESOURCES TO CONTINUE TO RECRUIT QUALITY SOLDIERS.

THE CHARTS BELOW SHOW THAT RECRUITING INCENTIVES AND RESOURCES ARE DECREASING AND THIS TREND MUST BE REVERSED.



FEWER ASSETS TO OPEN THE DOOR AND FEWER ASSETS TO CLOSE THE SALE!

DOLLARS ARE AS OF FY88/89 ABS (ASSUMES 4% INFLATION PER YEAR)

21 MAR 88

COMPENSATION

A MAJOR CONTRIBUTION TO RETENTION IS ENSURING THAT OUR SOLDIERS AND FAMILIES KNOW WE WILL TAKE CARE OF THEM. THEY EXPECT ADEQUATE COMPENSATION. MILITARY PAY WILL LAG BEHIND CIVILIAN EARNINGS IN THE PRIVATE SECTOR BY 11% IN FY 88. IF THE GROWTH IN THE PAY GAP IS NOT STOPPED, RETENTION WILL DECLINE AND THE QUALITY OF OUR NCO LEADERSHIP IN THE NEXT DECADE WILL BE REDUCED.

OUR DRILLING RESERVISTS, DISPITE A 2% PAY RAISE ON 1 JANUARY, HAVE SUFFERED A 5% CUT IN TAKE HOME PAY AS A RESULT OF THE SOCIAL SECURITY WITHHOLDING.

I MUST URGE YOUR SUPPORT FOR THE 4.3% INCREASE CALLED FOR IN THE PRESIDENT'S BUDGET.

ALTHOUGH WE HAVE NOT ASKED SPECIFICALLY FOR A BAQ INCREASE OVER AND ABOVE THE 4.3 % PAY RAISE REQUEST, BAQ HAS NOT KEPT PACE WITH HOUSING COST. BAQ WAS INTENDED TO COVER 65% OF THE MEDIAN HOUSING COSTS OF OUR SOLDIERS. CURRENTLY IT COVERS ONLY 60%.

ANOTHER COMPENSATION ISSUE NEEDING YOUR SUPPORT IS THE VARIABLE HOUSING ALLOWANCE (VHA). LACK OF INFLATION INCREASES IN THE VHA BUDGET CAME TO A HEAD IN FY 88 WHEN THE CONGRESSIONALLY FROZEN VHA DOLLARS WERE REDISTRIBUTED TO PROVIDE EQUITY BETWEEN SERVICE PERSONNEL IN AREAS WITH RAPIDLY ESCALATING HOUSING COSTS AND THOSE IN AREAS WITH LOWER RATES OF INCREASE OR ACTUAL DECREASE. SIXTY SEVEN PERCENT OF VHA-ELIGIBLE ARMY MEMBERS HAD THEIR ALLOWANCES REDUCED. EVEN CONSIDERING THE 1 JANUARY 1988 2% MILITARY PAY RAISE, APPROXIMATELY 10% OF ARMY ELIGIBLE VHA RECIPIENTS (ABOUT 25,000 SOLDIERS) HAD A NET DECREASE IN THEIR PAYCHECKS.

A NEW VHA SURVEY WILL BE ADMINISTERED IN THE SPRING OF 1988 AND THE RESULTS WILL BE IMPLEMENTED IN THE BEGINNING OF FY 89. WE URGE CONGRESS TO RESTORE FUNDING FOR THE VHA PROGRAM TO LEND THE ADEQUATE SUPPORT FOR WHICH IT WAS INTENDED. AT A MINIMUM WE MUST HAVE THE 3.4% VHA INCREASE REQUESTED IN THE BUDGET.

ALTHOUGH THE ARMY HAS REDUCED THE NUMBER OF PERMANENT CHANGE OF STATION (PCS) MOVE, WE STILL HAVE TO MOVE OUR SOLDIERS BECAUSE OF READINESS, PROFESSIONAL DEVELOPMENT, ACCESSIONS AND RELEASE FROM ACTIVE DUTY.

SERVICE MEMBERS WHO MOVE OR PCS INCUR CONSIDERABLE OUT-OF-POCKET EXPENSES. CONGRESSIONAL APPROVAL FOR FUNDING OF INCREASED HOUSEHOLD GOODS WEIGHT ALLOWANCES, TWO MONTHS' DISLOCATION ALLOWANCE AND TEMPORARY LODGING EXPENSE FOR ALL GRADES WOULD GO FAR IN ALLEVIATING THE CURRENT FINANCIAL BURDEN IMPOSED ON MILITARY MEMBERS DURING A CHANGE OF STATION MOVE.

A 1987 DOD HOUSEHOLD GOODS ALLOWANCE STUDY, WHICH WAS REQUESTED BY CONGRESS, SHOWS CURRENT HHG ENTITLEMENTS ARE INADEQUATE. APPROXIMATELY 15% OF THE ENLISTED FORCE AND 20% OF THE OFFICER FORCE PAID HHG OVERWEIGHT CHARGES IN FY 85 AND 86. THE MEAN OVERWEIGHT CHARGES AVERAGED 60% OF THE INDIVIDUAL'S MONTHLY BASIC PAY.

WE ENCOURAGE THE CONGRESS TO IMPLEMENT THE PROPOSED DOD HHG WEIGHT ALLOWANCE SCHEDULE AS BEING MORE REALISTIC TO TODAYS ARMY FAMILY NEEDS.

A DISLOCATION ALLOWANCE (DLA) IS AUTHORIZED TO HELP DEFER SOME OF THE ADDED EXPENSES OF RELOCATING A SOLDIER'S HOUSEHOLD. THE FY 86 AUTHORIZATIONS ACT PROVIDED FOR THE PAYMENT OF TWO MONTHS BAQ, BUT AGAIN THE APPROPRIATION ACT HAS LIMITED FUNDING TO ONLY ONE MONTH'S BAQ.

SINCE THE DLA WAS AUTHORIZED IN 1955, THE COST OF RELOCATING A HOUSEHOLD HAS OUTPACED THE RATE OF INCREASE OF THE BAQ. AS A RESULT THE DLA OF ONE MONTH'S BAQ HAS BECOME INADEQUATE FOR ITS INTENDED PURPOSE. THE ADDITIONAL COST TO THE ARMY TO PAY TWO MONTHS' BAQ FOR DLA IS $23.2 MILLION IN FY 89.

ANOTHER ALLOWANCE THAT SOLDIERS ARE AUTHORIZED, IS TEMPORARY LODGING EXPENSE ALLOWANCE. IT IS DESIGNED TO PARTIALLY OFFSET THE ADDED LIVING EXPENSES INCURRED WITHIN CONUS UPON PCS WHEN SOLDIERS AND THEIR FAMILIES OCCUPY TEMPORARY QUARTERS, BOTH AT THEIR DEPARTURE POINT AND THEIR DESTINATION. IT IS PAID FOR A MAXIMUM OF FOUR DAYS. PAYMENT OF ALL GRADES IS AUTHORIZED, BUT THE SERVICES MUST ABSORB PAYMENTS TO E-5'S AND ABOVE DUE TO APPROPRIATION LIMITATIONS. THE CURRENT FOUR-DAY ENTITLEMENT, WHILE A SIGNIFICANT HELP, IS NOT SUFFICIENT TO PREVENT SOLDIERS FROM INCURRING HIGH OUT-OF-POCKET COST WHEN THEY PCS. A TEN DAY ENTITLEMENT WOULD SIGNIFICANTLY REDUCE OUT-OF-POCKET EXPENSES BECAUSE PREVIOUS SERVICE STUDIES HAVE SHOWN THAT THE MEDIAN NUMBER OF DAYS SPENT IN TEMPORARY LODGINGS IS 12 DAYS.

RETENTION

THE PRIMARY FUNCTION OF THE TOTAL ARMY RETENTION PROGRAM IS TO MAN THE TOTAL FORCE, THROUGH THE ACTIVE COMPONENT REENLISTMENT PROGRAM AND TRANSITIONING TRAINED QUALIFIED SOLDIERS FROM THE ACTIVE ARMY INTO RESERVE COMPONENT TROOP PROGRAM UNITS, THEREBY PLAYING A VITAL ROLE IN THE TOTAL ARMY'S COMBAT READINESS POSTURE.

AN EFFECTIVE RETENTION PROGRAM IMPROVES ARMY READINESS, ALIGNS THE FORCE BY PLACING THE RIGHT SOLDIERS IN THE RIGHT SKILLS, REDUCES NONCOMMISSIONED OFFICER SHORTAGES, REDUCES PERSONNEL REPLACEMENT COSTS, AND RETAINS HIGH QUALITY SOLDIERS FOR THE NATION'S DEFENSE

THE ARMY CONSIDERS RETENTION A READINESS ISSUE. NONCOMMISSIONED OFFICERS FORM THE BACKBONE OF OUR ARMY. WE NEED THEIR EXPERIENCE AND PROVEN LEADERSHIP ABILITIES TO TRAIN AND LEAD OUR BRIGHT YOUNG SOLDIERS.

FORCE ALIGNMENT INVOLVES BALANCING THE ENLISTED FORCE IN SUCH A WAY THAT EACH MILITARY OCCUPATIONAL SPECIALTY IS MANNED WITH THE NUMBER OF QUALIFIED SOLDIERS REQUIRED TO ACCOMPLISH THE MISSION. A MAJOR COMPONENT OF THE ARMY'S RETENTION PROGRAM IS TO REENLIST QUALIFIED SOLDIERS OUT OF SPECIALTIES THAT ARE OVER-STRENGTH AND INTO SPECIALTIES THAT ARE UNDER-STRENGTH.

THE SELECTIVE REENLISTMENT BONUS PROGRAM IS DESIGNED TO KEEP QUALIFIED SOLDIERS IN CRITICAL SKILLS. THIS MONETARY INCENTIVE IS AIMED AT SOLDIERS WHO ARE PROVEN PERFORMERS AND WHO ARE TRAINED IN SKILLS THAT ARE CRITICALLY UNDER-MANNED. DEPENDING ON THE SOLDIER'S RANK, SPECIALTY, AND YEARS OF SERVICE, THE SELECTIVE REENLISTMENT BONUS CAN PROVIDE UP TO $20,000 IN REENLISTMENT BONUS PAID IN INSTALLMENTS OVER THE SOLDIER'S REENLISTMENT TERM. THIS PROGRAM ENHANCES READINESS BY ATTRACTING MORE REENLISTMENTS IN CRITICAL SKILLS, BY PROVIDING INCENTIVES FOR SOLDIERS TO RETRAIN INTO CRITICAL SKILLS, AND BY PREVENTING

PERSONNEL SHORTAGES OVER TIME.

THE ARMY WORKS HARD TO DEVELOP PROGRAMS AND REENLISTMENT OPTIONS THAT RESULT IN RETAINING HIGH QUALITY SOLDIERS FOR LONGER TERMS. SOME EXAMPLES ARE:

A. DEVELOP NON-MONETARY INCENTIVES TO INCREASE RETENTION RATES IN CRITICAL SKILLS.

B. INCREASE ACTIVE ARMY RETENTION PERSONNEL AND UNIT COMMANDERS' INVOLVEMENT IN INCREASING THE NUMBER OF SOLDIERS TRANSITIONING INTO THE RESERVE COMPONENTS AT THE END OF THEIR ACTIVE ARMY ENLISTMENTS.

AN ANALYSIS OF THE IMPACTS OF THESE ACTIONS HELPS US TO:

A. MAN THE FORCE WITH HIGHLY QUALIFIED AND SKILLED NONCOMMISSIONED OFFICERS VITAL TO THE ARMY'S ABILITY TO MAINTAIN COMBAT READINESS.

B. RETAIN SUFFICIENT NUMBERS OF QUALIFIED SOLDIERS TO KEEP RECRUITING AND RETRAINING COSTS DOWN, INCREASE UNIT COHESION, AND KEEP PERMANENT CHANGE OF STATION COSTS AT LOWER LEVELS.

C. TRANSITION TRAINED AND QUALIFIED SOLDIERS INTO THE RESERVE COMPONENTS, TO REDUCE RECRUITING AND TRAINING COSTS AND INCREASE THE RESERVE COMPONENT'S READINESS POSTURE.

D. KEEP SKILLED SOLDIERS IN CRITICAL MILITARY OCCUPATIONAL SPECIALTIES TO INCREASE COMBAT READINESS, WHILE RETRAINING SOLDIERS OUT OF OVER-STRENGTH SKILLS INTO SHORTAGE SKILLS ALIGNS THE FORCE WITH PROVEN SOLDIERS.

SUCCESS IN RETAINING HIGH QUALITY SOLDIERS, ESPECIALLY THOSE WHO ARE TRAINED IN HIGHLY TECHNICAL SKILLS WITH CIVILIAN-RELATED APPLICATION, DEPENDS ON THE ARMY'S ATTRACTIVENESS AS A PROFESSION THAT PROVIDES CHALLENGE, GROWTH, PRIDE, AND ADEQUATE COMPENSATION TO ITS MEMBERS.

THE ARMY'S ABILITY TO PROMOTE DESERVING SOLDIERS ON A TIMELY BASIS IS CRITICAL TO A VIABLE REENLISTMENT PROGRAM. PROMOTION FREEZES AND SLOW-DOWNS HAVE IMMEDIATE ADVERSE IMPACTS ON

SOLDIERS, ESPECIALLY IN TIMES OF ECONOMIC INSTABILITY.

RELATED BENEFITS SUCH AS RETIREMENT, EDUCATION PROGRAMS, HOUSING, RECREATION, AND HEALTH CARE MUST NOT BE ALLOWED TO DETERIORATE TO THE POINT THAT THEY BECOME DETRACTORS IN THE REENLISTMENT DECISION PROCESS.

TRANSITION MANAGEMENT.

THE TOTAL ARMY RETENTION PROGRAM INVOLVES MORE THAN REENLISTING QUALITY SOLDIERS IN THE ACTIVE ARMY. A MAJOR CONCERN OF THE PROGRAM IS RETAINING SOLDIERS IN THE TOTAL ARMY BY ENCOURAGING SOLDIERS WHO ARE FULLY QUALIFIED BUT WHO CHOOSE NOT TO REENLIST TO JOIN ARMY NATIONAL GUARD AND ARMY RESERVE TROOP PROGRAM UNITS UPON SEPARATION FROM THE ACTIVE ARMY. IN THIS WAY, THE RESERVE COMPONENTS' MANPOWER NEEDS ARE MET WITH QUALITY SOLDIERS WITH YEARS OF ACTIVE EXPERIENCE AND WHO ARE TRAINED AND QUALIFIED IN SPECIALTIES NEEDED BY THE ARMY NATIONAL GUARD AND THE ARMY RESERVE.

IN FY 87 THE ARMY IMPLEMENTED TRANSITION MANAGEMENT. IT IS A SYNERGISTIC NETWORKING OF ARMY RETENTION, JOB ASSISTANCE, CAREER COUNSELING, AND EDUCATION SYSTEMS WITH EXTERNAL AGENCIES.

THE PROGRAM IS BUILT ON TWO TRUISMS: FIRST, SOLDIERS WHO HAVE REALISTIC INFORMATION CONCERNING CIVILIAN JOB OPPORTUNITIES AND ARMY BENEFITS ARE MORE LIKELY TO REENLIST; SECOND, SOLDIERS WHO DECLINE TO REENLIST AND ARE ASSISTED IN THEIR TRANSITION INTO CIVILIAN JOBS OR SCHOOLING ARE MORE LIKELY TO ENLIST IN ACTIVE RESERVE/GUARD ROLLS, AND ARE MORE LIKELY TO SERVE AS ADJUNCT RECRUITERS FOR THE ARMY IN THE CIVILIAN COMMUNITY. AS A RESULT OF THIS INCREASED EMPHASIS, IN FY 87, 9,500 SOLDIERS TRANSITIONED TO THE ARMY NATIONAL GUARD; 10,800 TO THE U.S. ARMY RESERVE; AND 4,500 TO THE INDIVIDUAL READY RESERVE.

THE PROGRAM WILL YIELD SIGNIFICANT SAVINGS IN UNEMPLOYMENT COMPENSATION, RECRUITING EXPENSES, AND TRAINING COSTS WHILE

PROVIDING QUALITY SOLDIERS TO THE RESERVE COMPONENTS AND INCREASING TOTAL ARMY READINESS.

SUMMARY

WE APPRECIATE THE OPPORTUNITY THIS HEARING HAS GIVEN US TO EMPHASIS THE IMPORTANCE OF THE THREE PROGRAMS OF RECRUITING, RETENTION, AND COMPENSATION. ALL THREE ARE INTERRELATED.

IN THE PAST SEVERAL YEARS, THE ARMY HAS BEEN SUCCESSFUL IN RECRUITING, HOWEVER, WITH RESOURCES BEING CUT, THE YOUTH POPULATION DECLINING, AND UNEMPLOYMENT DECREASING WE FACE A SIGNIFICANT CHALLENGE.

WE ALSO HAVE BEEN SUCCESSFUL IN RETAINING SUFFICIENT NUMBERS OF HIGH QUALITY PERSONNEL. SINCE 1983, THE INITIAL TERM RETENTION RATE HAS BEEN SLIGHTLY OVER 35%, WHILE THE RETENTION RATES FOR MID-CAREER AND CAREER SOLDIERS HAVE BEEN AT THE 65% AND 85% RATES RESPECTIVELY. IN ORDER TO CONTINUE THAT SUCCESS, THE ARMY RELIES ON SUFFICIENT RESOURCES TO ATTRACT, PAY, PROMOTE, AND RETAIN SOLDIERS IN SUFFICIENT NUMBERS TO MAINTAIN COMBAT READINESS.

ADEQUATE COMPENSATION (MILITARY PAY COMPARABILITY LAGS BEHIND CIVILIAN EARNINGS BY 11%), SPECIAL AND INCENTIVE PAY PROGRAMS ARE KEY FACTORS IN THE REENLISTMENT DECISION PROCESS. ADDITIONALLY, MORALE, WELFARE AND RECREATION, HOUSING AND CHILD CARE FACILITIES AND SERVICES ARE KNOWN TO AFFECT RETENTION.

RETENTION SURVEYS REVEAL THAT REENLISTMENT IS A FAMILY DECISION WITH THE SPOUSE BEING ONE OF THE KEY INFLUENCES IN THAT DECISION. IT IS TRUE THAT WE RECRUIT SOLDIERS AND RETAIN FAMILIES.

I THANK YOU AND LOOK FORWARD TO ANSWERING ANY QUESTIONS YOU MAY HAVE.

STATEMENT OF
VICE ADMIRAL LEON A. EDNEY, U.S. NAVY
DEPUTY CHIEF OF NAVAL OPERATIONS
FOR
MANPOWER, PERSONNEL AND TRAINING
AND
CHIEF OF NAVAL PERSONNEL

INTRODUCTION/OVERVIEW

Mr. Chairman and distinguished members of the Subcommittee, it is both my privilege and pleasure to appear before you in my capacity as the Deputy Chief of Naval Operations for Manpower, Personnel and Training, and the Chief of Naval Personnel.

My statement describes the Navy's manpower, personnel and training amended budget request for FY-89, including active, reserve and civilian components. It also details our personnel readiness posture, retention and recruiting trends, and quality of life, concluding with an overview of training. In my statement for the record, I have focused on several issues or concerns raised in various committee reports or bills during the last congressional session. I would like to begin with some overall observations.

The Navy's primary commitment must be to our people. The required level of readiness can only be achieved through support of our men and women on the waterfront. Today's Navy is blessed with the highest quality people in our history, which has a direct correlation to readiness. This fact, combined with the resurgence of good order and discipline, zero tolerance of drugs, improved quality of life and additional end strength to support our growth, have all paid great dividends. As the Congress wrestles with tough budgetary choices, we must never lose sight of the unique and arduous conditions of service for those who go down to the sea in ships.

Personnel readiness encompasses all aspects of recruiting, retention, training, continuing education, leadership, and most importantly, quality of life initiatives. Achieving the required readiness through people has three dimensions: (1) having the right number of people authorized (end strength), (2) recruiting the right quality of people to absorb the required training, and (3) retaining sufficient experience levels to sustain combat readiness over the long haul.

To achieve these goals, faced with increasing commitments for naval forces world wide, mandates that we properly fund programs to support our people and their families with a Quality of Life that recognizes the arduous as well as hazardous aspects of Navy life.

The Navy has been, and will continue to be, forward deployed at the cutting edge. Sailors are where the action is, representing the security interests of a maritime nation in a world that is three-quarters water. Naval forces have responded to 80 percent of the crises since World War II -- we will remain under this high pressure, fast tempo, quick response environment in this age of violent peace and terrorist acts. Long and repetitive deployments entail arduous working conditions at sea where 15 hour workdays, seven days a week are the norm. Our people perform high risk duties involving personal sacrifice and the emotional strain of prolonged separations from loved ones. The commitment to the quality of life of our people and their families must be based on a solid appreciation of these conditions and a deep respect for the day-to-day professionalism of our sailors.

A review of our manpower, personnel and training posture must be taken from the perspective that the nation is faced with the difficult task of balancing the budget. We in the military are participants in that challenge and have to contribute with the rest of society. We must, however, never lose sight of the fact that the cost of taking cuts in our people programs has a direct and immediate adverse impact on the security of our country. Manpower programs with their dollar-for-dollar outlay rate, are often prime targets in a deficit reduction environment. Cuts in this area affect morale and is immediately reflected in retention statistics and therefore readiness. To avoid this happening, programs relating to the quality of life of our people must be protected during the current pull and tug of the budget process.

In the relatively short time I have held my current position, one fact has come home to me repeatedly. We are being driven by both internal and external forces to the limits of leaness and manpower efficiencies. Our manpower has not been allowed to increase to match our force structure growth for several years. We have drawn from our shore and support establishment to keep our fleet properly manned. Further reductions will, in my opinion, significantly impact readiness. This is particularly true in an already lean officer corps that must also meet increased joint duty tour requirements mandated by the Congress, and increases in our Health Care professionals while faced with an additional two percent cut in officer end strength in each of the next two years. I urge your support to cancel the requirement for this further reduction.

Today, we are an upbeat, combat-ready Navy -- forward deployed around the world. The morale and esprit de corps of our naval forces is exceedingly high. The quality in this equation begins with recruiting. During the last fiscal year, we met 100 percent of our enlisted recruiting goals and through aggressive recruiting efforts we are enlisting non-prior service high school graduates commensurate with our quality needs. We have been getting very good people and we must continue this trend to meet the needs of an increasingly complex Navy facing an increasingly complex threat around the world.

We must redouble our recruiting efforts in the months ahead to ensure we do not fail to attract, in a declining youth market, the best and brightest to serve in the Navy. We have intensified efforts to recruit and retain officers in our high priority areas of medical, nuclear power and minorities. Support for recruit advertising dollars is essential to meet this challenge.

Retaining high numbers of our best quality people will always be our greatest challenge. We continued to do reasonably well overall in FY87, but not as well as in recent years for first term enlistments and career service retention. Retention in critical skills remains fragile, and overall retention statistics hide the thin margin of personnel readiness in these areas. Support for Pay and Allowances that keep up with published national cost of living trends, special bonuses to attract critical skills, and sufficient funds to allow moves from sea to shore assignments are critical to a Quality of Life that supports retention. Our most serious officer shortages are in physicians/nurses, nuclear-propulsion qualified officers, and mid-grade pilots in certain specialities -- notably tactical air.

We are working hard to redress these officer shortages in various ways. Significant numbers of additional medical recruiters have been placed in the field, and the time to process a medical candidate has been reduced by 33 percent without sacrificing quality review. In aviation we are faced with increasing competition with the airlines, we are experiencing a shortage of approximately 1100 lieutenant and lieutenant commander pilots. Together with the Air Force, we are studying options for improved continuation bonuses to retain sufficient numbers of aviators to meet high tempo fleet requirements imposed by the high level of Naval carrier Strike Group commitments. The approved increase for submarine officer pay should help the nuclear recruiting and retention environment.

Navy women make increasingly significant contributions to the Navy mission. They represent about 10 percent of our force, and the recent initiatives approved by the Secretary of the Navy will increase their contribution while fostering a proper environment that recognizes quality of service and level of accomplishment of all Navy women. Women will be recruited and trained for more non-traditional ratings and will share an increasing number of sea-going assignments.

The following issues are highlighted because they are of particular concern to me in supporting a Quality of Life sufficient to recruit and retain the force level to ensure we have a Navy that, when called on to fight, will be ready:

a. Pay and allowances that recognize the arduous aspects of Navy life and remain commensurate with cost of living trends.

b. Permanent change of station funding sufficient to move sailors from sea to shore duty on time in a fair and equitable manner.

c. SRB and Special Skill Bonuses set at a level sufficient to compete with the civilian job market.

d. Military construction to meet Navy housing shortages and increasingly complex training centers requirements.

e. Sufficient maintenance of real property funds to replace and repair existing structures on a programmed basis. A quality force must look like a quality force to recruit and retain the career sailor.

f. Removal of the remaining requirements for four percent reduction in the officer corps - essential to readiness.

g. Removal of the directed medical accession levels and replacement with levels of medical inventory growth, which will allow for an efficient management mix of accession goals and retention initiatives.

h. Additional flexibility in tour lengths and assignment policies to facilitate meeting officer joint staff requirements while simultaneously meeting operational requirements.

i. Continued, sufficient funding for our MWR programs.

I look forward to working closely with you throughout this year's budget process while continuing a frank and open dialogue. My staff and I stand ready to provide whatever support you may require. This nation has the finest Navy in the world. Working together we can ensure that it is manned with the finest quality and best trained professional men and women our country has to offer.

PRIORITY ISSUES

OFFICER END STRENGTH

EFFECTS OF OFFICER REDUCTIONS. The FY87 and FY88 one percent DOD officer reductions deleted 1576 Navy billets in FY87, 2090 in FY88, and precipitated a loss of 2817 officer billets in FY89 from officer strengths presented in the FY88/89 Biennual Budget of January 1987. Planned direction to Navy indicates that the remaining four percent DOD officer reduction will result in an additional loss of 2508 officers by the end of FY90 (1254 in FY89 with an additional 1254 in FY90). The net result of these actions will be an officer strength of 70,102, which is 6118 below that programmed for FY90. This would leave Navy with fewer officers than it had in FY85 despite the additional 56 ships and 12 aircraft squadrons in the intervening years.

Bringing these additional ships online while simultaneously taking allocated officer reductions for FY87 and FY88, has significantly reduced the shore establishment and exhausted all flexibility for further Navy officer reductions. Reductions have been taken in all categories of officer manpower: "combat essential," "combat and other support," and in the Individuals Account. These reductions have brought the Navy to the limit of acceptable risk beyond which readiness and operational commitments will be impacted. Operational tempo has not diminished. Changes in the international scene, as most clearly exemplified by our presence in the Persian Gulf, have sharply increased Naval force requirements. We currently have about 100 ships forward deployed in the Persian Gulf, the Indian Ocean, the Western Pacific and the Mediterranean Sea. The pressure to increase those numbers is not diminishing. On the contrary, it is increasing.

Faced with current and projected world-wide commitments and the attendant tempo of naval operations, current combat force levels and adequate officer manning for those forces must be maintained. Additional numbers of URL officers are also required to meet the increased assignments to Joint/OSD assignments, such as new unified transportation, space, and special operations commands. Likewise, there is a need to protect the officer strength devoted to medical occupations in an effort to grow our critical wartime medical specialties and meet the burgeoning peacetime health care needs of the Navy and Marine Corps. These considerations dictate that the planned FY89 and FY90 reduction be taken largely from the combat support and other support areas, just as our 1987 and 1988 reductions were.

Officer manning in the combat support and other support areas improved in the early 1980s, but has since been eroded through the downward pressure on overall officer strength vis-a-vis growing force levels, and the FY87 and the FY88 officer reductions. From the functional standpoint, the Navy has reduced officers in the combat support and other support categories by eight percent between 1986 and 1988. In the absence of any reduction in defense commitments accompanied by reductions in combatant forces, FY89 and FY90 reductions of officers in combat support and other support will have a disproportionate impact on the Restricted Line and Staff Corps to the detriment of combat readiness requirements.

THE IMMEDIATE IMPACTS resulting from officer reductions of this magnitude will be:

The creation of an imbalance in the Unrestricted Line (URL) population between combat essential units and combat support and other support areas.

- URL officers will be required to serve a larger proportion of their careers in sea assignments. (Conflicts with joint staff requirements).
- Longer sea tours mean increased family separation which is one of the primary reasons officers leave the Navy.
- Depot and intermediate level maintenance of ships and aircraft will be degraded with related fleet readiness impact.
- Logistic, supply, personnel management, intelligence, RDT&E and other support to the fleet will be degraded to the extent readiness will be impaired.
- Those nearing completion of a career in these communities will be involuntarily retired.
- New appointments will be minimal and promotion opportunity will be reduced to unacceptable levels for several years in the RL and staff communities.
- Base operations and facilities support for forward deployed ships will be degraded.
- Fiscal constraints make government service civilian and contractor support substitution an unattainable near term alternative.

In summary, our present day round-the-world commitments allow no alternative but to protect essential fleet manning requirements in meeting the mandated remaining four percent officer reduction. In my judgment, officer reductions of the magnitude planned through FY90 go well beyond the intent of the

1987 legislation. By FY90, the Navy would have to reduce its officer corps by eight percent from the level programmed and reflected to meet authorized force levels in the FY88/89 Biennual Budget Submission. Since the majority of programmed officer growth was earmarked for essential combat forces, the effect of subsidizing that growth in a declining officer strength environment is one of implementing an unacceptable high reduction in combat support and other support areas of the RL and Staff Corps. These draconian reductions will reverse the progress we have made since the unsatisfactory materiel and personnel situation existing in the late 1970's. They will have a devastating impact on our operational readiness and will come at great personal expense to the dedicated men and women in our officer corps.

Contrary to the legislative assertion that there has been a disproportionate growth in the officer corps since 1980, Navy's officer growth has been consistent with our growth in combat force levels. Officer growth has been tightly constrained from early estimates of the number needed to man a 600 ship Navy and our officer to enlisted ratio has remained essentially constant at 1:7 since 1980. If the planned FY89 and FY90 reductions are allowed to take effect, the long term impact on readiness and management of our officer corps will be disastrous. It will also significantly hinder Navy efforts to comply with Title IV requirements of the Goldwater-Nichols Defense Reorganization Act. I urge your support to remove this legislative requirement.

FY88 MEDICAL GROWTH

Overview. The Secretary of the Navy and Chief of Naval Operations (CNO) are committed to providing required medical care to meet combat casualty requirements and the required level of care to active duty personnel as well as to their dependents and eligible retiree beneficiaries. The Navy plans to increase FY88 active duty health professional end strength by 1,087. The Navy plan is to meet the requirements of the FY88 House Appropriations Committee Report for a growth of 277 officers and 542 enlisted personnel, and if attainable, provide an additional 27 officers and 241 enlisted personnel.

To ensure success of this plan, medical recruiting is a top Navy recruiting priority. Processing has been streamlined for all designators, particularly for physicians. Navy has achieved a 33 percent reduction in administrative procedures required for commissioning, increased medical recruiting billets, provided overship authority for physicians and allied science officers, and increased tempo of reserve recalls to the active duty list.

Increased medical officer accessions are not the sole solution to increased medical growth. Retention has been identified as a top priority program. The Navy Surgeon General has traveled extensively to personally reassure personnel they are appreciated and desperately needed to remain on active duty. Graduate Medical Education, long recognized as a major motivator towards retention, has been extensively reviewed by a very select panel of expert educators. Their recommendations, when implemented, should revitalize and greatly enhance our Navy programs. Another positive retention effort involved the creation of 411 civilian administrative billets to relieve physicians of non-health care tasks. Congressional action to remove the $8,000 cap on Incentive Special Pay certainly opens the door for Navy to improve remuneration for physician specialists. Better use of physician specialty talents by transferring primary care to alternative sources of health care (NAVCARE clinics, contracting, etc.) should improve retention among our physician specialists. The recapture of our beneficiary population for in-house care is being actively pursued by the Navy Surgeon General and should contribute to physician satisfaction and result in improved retention. Navy will continue to seek additional retention initiatives for our health care professionals.

EFFECT OF MANDATED FY89/90 MEDICAL OFFICER ACCESSIONS. The Navy is strongly committed to solving our shortage of medical officers. Congressional language requiring twenty-five percent of officer accessions to be medical officer accessions does not increase our level of commitment to provide quality medical care to all our beneficiaries and will be an unattainable goal to execute. Our ability to attain medical officer accessions, particularly physicians, will be the critical controlling factor.

Assuming zero growth in FY89, the Navy will bring in approximately 6400 officers, enough to replace normal losses. Medical's share, under current law requiring 25 percent would be 1600. In FY87, also a zero growth year for officers, we accessed 959 medical officers toward our goal of 1118, 159 fewer than planned, but 641 fewer than we would need under current law. Numerous actions have been taken to improve the medical officer accession process, and we are optimistic that these changes will help. Still, it is unlikely that we can access in FY89 nearly two-thirds more medical officers than we brought in during FY87 and 500 more than planned for in FY88. We will access all the Medical Officers we can possibly recruit. I request the requirement to make 25 percent of all Navy officer accessions medical officers be reviewed.

PERSONNEL READINESS

Overview. Navy personnel readiness continues to show improvement, although the rate of improvement was not as large in

FY87 as in the previous six years. Currently over 90 percent of our ships, submarines and aircraft squadrons have averaged C-1/C-2 for personnel readiness. The submarine force has, for the fourth consecutive year, had no submarine lower than C-1 in personnel readiness. The number of ships reporting in the two highest categories of personnel readiness in FY87 increased to 97 percent from 96 percent in FY86. Of note, aviation personnel readiness for FY87 declined compared to the previous year due to aircrew shortages influenced by a drop in SRB funding. Additionally, a fleet-wide pilot shortage has had an adverse effect on personnel readiness due to the requirement to underman operational squadrons while not in a workup or deployed status. The personnel shortages in these commands allow manning of the training establishments.

Percentages of operational units reporting in the top two readiness categories for personnel from FY81 through FY87 are listed in Figure 1.

FIGURE 1

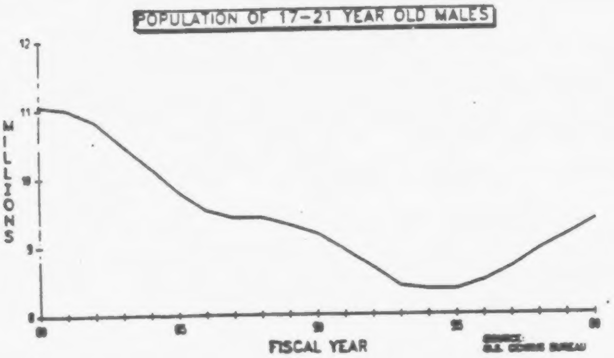
PERSONNEL READINESS

FY	SHIPS	SUBMARINES	AVIATION SQUADRONS
81	51.2%	65.2%	37.0%
82	62.5%	83.8%	36.3%
83	81.2%	94.6%	58.7%
84	89.7%	100%	65.0%
85	94.9%	100%	74.3%
86	96.5%	100%	75.4%
87	97.5%	100%	72.9%

RECRUITING

Overview. FY87 was an overall success for Navy recruiting. We attained 100 percent of the enlisted goal and the majority of officer program goals. This success is directly attributed to additional recruiters who were effectively used to overcome a continuing strong economy, low unemployment rates and a declining recruitable youth population, (Figure 2), all of which work decisively against recruiting in the all volunteer environment.

FIGURE 2



ENLISTED RECRUITING RESULTS. In FY87, we accessed 92,909 enlisted personnel (Figure 3) of which over 80,000 were non-prior service males. This group is the most competitively recruited population segment, and our recruiters were able to increase production and improve accession quality. The percent of non-prior service personnel classified as Upper Mental Groups (UMG) was 61.4 with 90.6 percent being High School Diploma Graduates (HSDG). This is a 2.3 percent increase in UMG and a 6.6 percent increase in HSDG from the previous year.

FIGURE 3

ONE-NAVY ENLISTED RECRUITING

QUANTITATIVE RESULTS (NOTE 1)

	FY82	FY83	FY84	FY85	FY86	FY87
Goal	94,793	84,798	82,907	87,592	94,878	92,909
Attained	94,793	84,798	82,907	87,592	94,878	92,909
%Attained	100.0	100.0	100.0	100.0	100.0	100.0

QUALITATIVE RESULTS (NOTE 2)

	FY82	FY83	FY84	FY85	FY86	FY87
HSDG	78.7%	91.1%	93.0%	89.0%	85.3%	90.6%
MG I-IIIU	55.7%	60.9%	59.7%	60.7%	58.1%	61.1%

NOTES:

(1) Includes all prior service and non-prior service male and female accessions.

(2) Qualitative results are percents of non-prior service active duty accessions.

- OFFICER RECRUITING RESULTS. Officer recruiting for Unrestricted Line programs, including Nuclear Power Officer Candidates, was highly successful in FY87. The specialty requirements and a difficult market made medical programs, including the Nurse Corps goal, extremely challenging.

With a strong recruiting effort this fiscal year to date, we have 73.4 percent of the FY88 overall officer goal accessed or in the Delayed Entry Program (DEP). A decrease in officer recruiting goals is causing an early close-out of most FY88 officer programs and has allowed us to direct more recruiting assets toward medical recruiting.

The recruiting organizations of all the military services are facing significant challenges in the years ahead. At a time when the target market is declining, military service is becoming less attractive. The gap between the salaries of military members and those individuals in industry became wider in January 1988 with only a two percent military pay raise. These factors form the challenge that confronts Navy recruiting. The recruiting and advertising resources in this budget are considered the minimum needed for a marginally successful recruiting program and do not allow the purchase of service unique television advertising for FY89.

MEDICAL RECRUITING is a top Navy recruiting priority for FY88 and will need to continue at that high emphasis in FY89 and out. Medical Service Corps and Nurse Corps goals have risen in concert with the increased number of physicians required. In an effort to meet significantly increased medical goals, Navy Recruiting Command has reprogrammed $500K from within the existing FY88 CNRC budget to assist medical recruiting. Medical applicant processing has been streamlined for all designators, particularly for physicians. Specifically, a 33 percent reduction in administrative procedures required for commissioning. We have increased dedicated medical recruiting billets by 200 percent, granted overship authority for all physician specialities, and increased the number of reserve recalls to active duty in order to enhance improvement in medical programs.

JOINT RECRUITING AND ADVERTISING PROGRAM (JRAP) TARGETING FOR NAVY PROGRAMS. Current congressional language states that 10 percent of JRAP FY88 funding is to be used to target service specific recruiting problems. While we appreciate the congressional initiative to provide some additional support, via JRAP, it must be pointed out that the mission of JRAP is to complement and support service-specific advertising efforts of the individual services. Advertising is an ongoing need for the recruiting sales force; an important tool that works to provide Navy prospects, and not a "get well" measure as recruiting starts to fail. The Navy recruiting advertising program must be supported at an adequate level to support Navy accession requirements and to ensure that recruiter efficiency and contract production are maintained at a satisfactory level.

NAVY SEA COLLEGE PROGRAM. Congress directed termination of the Navy Sea College Program in the FY88 budget. In FY87, Navy recruiting signed 3,000 contracts under the Navy Sea College Program. Navy is honoring all FY88 contracts signed prior to the final congressional action, under the Delayed Entry Program. The Surveys and Investigations Staff of the HAC is presently reviewing special benefit programs such as the Sea College. Depending on their findings, Navy may restructure and redesign a program in FY89 or FY90. This program attracted high quality applicants who desired to earn money toward college and competed directly with the Army's College Fund.

RECRUIT APPLICANT DRUG/ALCOHOL SCREENING. In compliance with the requirements of the FY88/89 National Defense Authorization Act, the Navy will begin testing all applicants for drug and alcohol use beginning 1 June 88. Applicants for enlisted military service will be tested for drug and alcohol use during their pre-enlistment physical examinations. Applicants for officer service shall be tested during their pre-contracting or pre-appointment physical examinations, whichever occurs earlier. We fully support drug testing as it is in the best interest of the Navy; however, it was preferred to do the testing at the time the applicant reported to boot camp in order to have firmer control over the process. We estimate that about ten percent of our enlisted applicants will be rejected during pre-enlistment physicals which will increase the burden on recruiters to meet our required objectives.

SUMMARY. In FY87, Navy Recruiting was able to reverse the drawdown of the Enlisted Delayed Entry pool which had occurred over the previous three years to the point that near term accession goals were in serious jeopardy. The pool actually grew by 5,700 in FY87. This was accomplished in spite of an extremely competitive civilian job market (low unemployment), a shrinking youth population and increased quality requirements, primarily as a result of increased recruiter assets augmented during FY86 and FY87, adequate funding and use of such programs as Navy Sea College, Enlisted Bonuses, the G.I. Bill and other incentives.

In FY88, with the loss of Navy Sea College Program as well as a reduction of recruiter strength and numerous enlistment qualifications changes (which effectively reduce the Qualified Military Available (QMA) population), we are again experiencing difficulty in writing enough new contracts into the Delayed Entry pool to hold the gains realized in FY87. The Medical Officer Program will continue to require significant additional recruiting resources if we are to meet accession requirements in this critical program.

The importance of providing adequate resources to support the Navy Recruiting force in FY89 and into the out years cannot be overemphasized. Advertising awareness must be maintained at an adequate level to permit recruiting success in a difficult recruiting climate. Awareness is best accomplished through service specific advertising.

RETENTION

ENLISTED TRENDS. We are continually challenged to retain quality personnel. Though retention remained high throughout most of FY87, we experienced a marked decline at the end of the fiscal year. Several critical ratings (both SRB and non SRB eligible) suffered low retention rates:

	1st Qtr. FY87	1st Qtr. FY88
SRB Eligible		
Boiler Technician (BT)		
1st term	49.2%	20.4%
2nd term	79.8%	41.2%
3rd term +	92.7%	86.0%
Operations Specialist (OS)		
1st term	36.9%	17.4%
2nd term	76.2%	61.7%
3rd term +	88.5%	88.9%
Non-SRB Eligible		
Interior Communications Electrician (IC)		
1st term	35.5%	23.9%
2nd term	74.6%	53.3%
3rd term +	95.0%	88.5%
Hospital Corpsman (HM)		
1st term	48.7%	41.1%
2nd term	74.7%	72.4%
3rd term +	93.4%	92.9%

The strong economic climate and increased civilian employment opportunities continue to challenge the positive retention climate. Turbulence experienced as a result of SRB suspension and lapse in authority further aggravated the situation. This is particularly true of second term personnel with 6-10 years of service. Retention results and goals follows in Figure 4:

FIGURE 4

ENLISTED RETENTION RESULTS/GOALS

	FY85	FY86	FY87	FY88	FY89
	Actual	Actual	Actual	Goal	Goal
1st term	54.6%	57.4%	55.2%	54.9%	54.6%
2nd term	63.9%	64.1%	61.2%	62.7%	61.6%
3rd term +	93.4%	93.6%	92.4%	91.5%	91.3%

Balancing Navy's force structure in FY88 and the following years will require compensation and quality of life initiatives. Measures to combat the retention decline must include competitive compensation, retirement system stability, full reenlistment bonus funding, continued educational opportunities, such as the G.I. Bill, and command sponsored leadership programs.

What might appear to be relatively minor reductions in personnel and manpower accounts can have a devastating effect on morale and retention. Failure to receive adequate funds for our programs requires us to take belt tightening measures which directly cause personnel turbulence, such as extending personnel at sea, slowing down promotions, and involuntary early releases. The effects of such measures are felt immediately, whereas trying to repair the damage in subsequent years takes time and additional funding. We have seen that trend in the late 1970's and want to avoid a similar situation now.

Retention And The Selective Reenlistment Bonus (SRB) Program. The SRB program remains the key factor in reducing manning shortages in those skills most in demand in the civilian sector. The adverse impact of program fluctuations and lapse in authority underscore this fact. Funding limits in FY87 required significant reductions to award levels for most skills. In virtually every instance where there was a reduction in the SRB award level, there was an immediate and adverse impact on retention. (Examples: Boiler Technician retention in Zone A fell from 52 percent to 26 percent; Aviation Anti-Submarine Warfare Technician retention in Zone A fell from 61 percent to 26 percent).

Program suspension at the beginning of FY88 due to the lapse in authority caused considerable uncertainty on the part of personnel making career decisions. Although we are still evaluating the negative impacts of the lapse in authority, fully 12 percent (417) of known SRB eligible personnel who initially executed short term extensions when authority for the program expired eventually made the decision to leave the Navy.

SRB continues to promote long term skill stability by encouraging longer reenlistments (5.14 vice 3.89 years average length of first term enlistment). SRB is a cost effective investment in retention since every dollar invested in the SRB program offsets approximately $2.50 in training and replacement costs. (Example: The average bonus for a first term Nuclear Trained Submariner is $12,033. The training and replacement cost is $129,867.)

Enlistment Bonus (EB) Program. The lapse in authority for the EB program provides graphic evidence of the direct correlation between this program and our ability to attract high quality candidates for hard to fill training pipelines such as the Nuclear Field. The months when the program was in suspension due to lapse in authority (October and November 1987) were the first in over two years that we were unable to meet new contract objectives for Nuclear Field candidates. Because authorization for the EB program was provided early in the month of December, we were able to meet our goal for that month. With the EB program funding available for the remainder of the year, we feel that we will be able to overcome the slow start and make Nuclear Field goal for the year.

The EB and SRB programs continue to be the two primary compensation incentives to attract and retain high quality personnel. We appreciate the five year extension provided for both of these programs during the past legislative cycle and actively solicit your continued support for these vital programs.

OFFICER TRENDS. Most URL designators experienced modest retention improvements in FY87 (see Figure 5). Though encouraging, these gains are not sufficient to offset shortages of pilots and nuclear trained officers. Our continuing challenge remains to increase the attractiveness of a military career through pay comparability with the civilian sector. Additionally, prolonged family separation continues to be a predominate retention dissatisfier, and is especially prevalent among nuclear submarine officers who spend 14 years of a 20 year career at sea. Our Personnel Tempo policy remains our most effective tool to offset this career detractor.

FIGURE 5

UNRESTRICTED LINE OFFICER RETENTION

CUMULATIVE CONTINUATION RATES (CCR)*

3 to 12 years of Service

	FY84	FY85	FY86	FY87
Surface	31%	32%	26%	32%
Pilot	45%	29%	28%	31%
Naval Flight Officer	56%	54%	51%	56%
Nuclear Submarine Officer	40%	35%	26%	29%
General URL	38%	26%	25%	25%

*CCR retention rates are a probability statement and indicate the percentage of officers expected to go from three years of service to 12 based on the retention performance of these year groups during the past fiscal year.

Pilot Retention/Shortages. One of our greatest challenges is the retention of our highly skilled and sought after pilots. Modest retention gains in FY87 did little to offset lieutenant and lieutenant commander shortages, now at 1086 officers, primarily in Tactical Air and some land based aviation communities. Navy has compensated for this shortage by decreasing the number of pilots filling staff billets ashore. Additionally, fewer pilots are going to post-graduate school and instead are detailed from sea duty to high-stress shore jobs at training commands and Fleet Readiness Squadrons. While the most efficient way to assign our limited pilot resources, this policy is limiting to the officer and the Navy. Many of our staff and joint duty assignments normally filled by pilots will be filled by officers without the valuable aviation experience and background desired. Additionally, we are, out of necessity, less flexible in meeting the varied career desires of our pilots. This in turn, becomes a retention detractor and further exacerbates the pilot problem.

We continue to meet these challenges with new programs and enhancement of existing retention incentives. The Aviation Duty Officer program, now in its second year, provides an alternative for pilots desiring a career with an emphasis on flying. Personnel Tempo, improving liberty ports, reducing administrative paperwork and maximizing quality flying time are all measures used to help keep our pilots in the service. While important, these efforts alone do not always compete successfully with the pay and stability (family and geographic) offered in the civilian sector, especially within the airline industry.

Deregulation set into motion the rapid expansion of the airline industry and an unprecedented demand for trained pilots. The airlines are becoming more aggressive and less restrictive in recruiting new pilot hires (see Figure 6). Vision standards, jet hour experience and college degree requirements are either relaxed or waived. According to sources at Future Aviation Professionals of America (FAPA), an ex-military jet pilot has no difficulty finding employment at any of the major airlines.

FIGURE 6

AIRLINE HIRING TRENDS

CY	HIRES	EX-MILITARY	% MILITARY
1980	837	695	83%
1981	1330	944	71%
1982	843	590	70%
1983	2186	1301	60%
1984	5137	2054	40%
1985	7904	3700	47%
1986	6787	3007	44%
1987	5277	2111	40%

While not all pilots leaving the service work for the airlines, this ready job market makes the switch from the military to the civilian sector less risky with the prospect of ready employment.

Aviation Officer Continuation Pay (AOCP). AOCP is a very important tool in overcoming critical aviator shortages and retention losses in specific communities. However, current AOCP is not meeting Navy's expectation as a retention incentive because the bonus amount is insufficient. Because pilot losses are also adversely affecting the Air Force, we are working jointly on a proposal to increase the annual amount available to our aviators. The price of this program would be quite small considering the enormous costs of training new replacement pilots. Improving retention of these highly trained individuals who have a very lucrative position awaiting in the airline industry is one of our highest priorities.

Last year the Congress eliminated the Aviation Career Incentive Pay (ACIP) offset which equates to an additional $1128 per year per aviator. While this addition is most welcomed an even larger annual payment is necessary to raise our current 31 percent pilot cumulative continuation rate to our minimum required 48 percent level.

Nuclear Officer Shortages. The most serious officer manning problem facing the Navy is our shortage of senior, experienced nuclear-trained officers. We currently have a inventory shortage of 516 out of 1858 (28%) nuclear-trained submarine officers in the ranks of Lieutenant Commander through Captain. These officers are required at sea as commanding officers, executive officers and department heads, as well as for key fleet support billets ashore. Of equal concern is the decline in nuclear-trained submarine officer retention from a historic high of 48 percent in FY85 to 43 percent in FY86.

Submarine officer retention dropped again in FY87 to 39 percent. In response to the drop in retention between FY85 and FY86, the Navy implemented several programs to combat this declining trend. These actions included a change to the career path to give an officer two shore duty tours before his command tour, duty tours before his command tour, increased opportunity for post-graduation education, an increase in the payment for Nuclear Officer Incentive Pay (COPAY) contracts from $9K to $10K per year, and with the most appreciated support of the Congress, an increase in Submarine Pay.

Nuclear Officer Incentive Pay. Nuclear Officer Incentive Pay (NOIP) is a valuable key to correcting the long-term shortage of nuclear-trained officers. NOIP allows us to maximize both officer accessions and retention by providing an accession bonus for new selectees to nuclear propulsion training and a career bonus to those officers who remain on active duty past their minimum service obligation. The current authority for NOIP expires on 30 September 1990. If, as in previous years, the FY90 Authorization bill is not enacted by 30 September, NOIP would terminate. This temporary suspension of NOIP would send a negative signal to the fleet that neither Congress or the Navy want. To avoid this situation, we are asking the Congress to grant a two year extension of the current NOIP authorization, this year to avoid a temporary suspension of NOIP 1 October 1990.

PERMANENT CHANGE OF STATION PROGRAM

Overview. Several policies were implemented in late FY86 to reduce the number and costs of operational, rotational and training (discretionary) PCS moves. These policies allowed FY87 to execute at 19,413 moves less than FY86 which was a 14.7 percent reduction. We are continuing to pursue additional initiatives in FY88. We have modified officer and enlisted assignment patterns to maximize the use of no-cost moves. We are in the process of a complete review of career paths in general, with the aim of reducing the number of times an individual will move during a 20 year career. However, as has been stated before, it is difficult to assess the impact of new policies, at this early date, as we have little actual data to analyze, and savings from any new policy will accrue over a period of several years.

The changes we have made mitigated, but did not eliminate, the need for additional funding in FY88 to meet our requirements. The FY88 PCS funding cuts required that we institute an involuntary extension program which extended certain projected rotation dates (PRD's) starting in April 1988. We are, as in previous years, maximizing our use of no cost moves and voluntary extensions whenever possible. We also expanded our overseas voluntary extension program to include additional areas. But, even these efforts are not sufficient to bridge over our funding situation. In spite of the fact that we have many imbalances between the Fleets, we have had to curtail most fleet balance moves. Coast to coast moves are being authorized only to maintain C2/M2 readiness levels for deployers and other critical units.

The situation has been further exacerbated by the change in the Temporary Lodging Expense (TLE) allowance authorization. In FY87, only E-4 and below were authorized to receive TLE. For FY88 year the paygrade restriction has been lifted and all personnel are authorized payment, but sufficient funding for the program was not included in the Appropriations Act. This necessitated funds for discretionary PCS moves be reallocated to pay TLE expenses.

Concern has been expressed about the impact reduced PCS funding levels are having on our ability to support individual duty preferences. There are no statistics to document this impact. Historically, duty preferences have been met at the 80 percent level. Assignment personnel indicate the rate will remain approximately the same as PCS constraints have always been a factor in meeting duty preferences.

All estimates for FY89 indicate that the funds provided are marginally adequate to make all required moves. Further cuts to PCS funding can not be sustained without trading longer tours at sea for PCS savings. This will ultimately have a negative effect on morale, as family separation becomes greater, and readiness, as our trained and skilled personnel leave the Navy. Budget constraints dictate the most cost effective moves, which in many cases are not the best moves for readiness. We continue to need your understanding of the limitations the Navy will face in FY89 and beyond, and your support in funding a balanced program that allows for recruiting, training and retaining those personnel who are essential in supporting our national policies. A fully funded PCS program is essential to this effort. Your support is respectfully requested.

MORALE, WELFARE RECREATION PROGRAMS

Overview. We are proceeding to manage Morale, Welfare, and Recreation (MWR) programs according to the DOD 10 August 1987 report to the Congress, "Reassessment of Department of Defense Morale, Welfare, and Recreation Programs". We have taken many businesslike initiatives on our own and in response to congressional direction. We have reorganized, consolidated, obtained new revenue sources (e.g., recycling, pay telephones), sharpened our buying strategies, adjusted fees/prices where appropriate and are exploring private sector financing/operation of our facilities. We are protecting overseas and remote programs as a top priority. Navy believes that these initiatives have met the congressional direction to minimize Appropriated Funding (APF) support to revenue generators, and have positioned the Navy MWR program to operate in a dynamic funding climate. Between FY85 and FY87 appropriated fund support has been reduced by 20 percent in constant dollar per capita support. This significant reduction has severely stressed the management of these vital programs. A stable period is needed to consolidate our new business position. Major reductions at this time would put many of our programs at risk.

The Senate Appropriations Committee encouraged the Services to explore allowing local community civilians and Guard/Reserve personnel to use on-base revenue generating MWR facilities as a means of increasing nonappropriated fund revenues, as long as capacity existed and there was no objection from local communities. Navy is exploring these options with the other Services and DOD to ensure a consistent approach.

Fleet recreation programs continue to receive the highest priority. We currently provide physical fitness and recreation equipment to afloat units with priority being given to ships preparing for major deployments. We see more recreation centers coming on line. Geared to the young 18-24 year old active duty, these centers serve as a focal point for unstructured recreation in an alcoholic-free environment. Also, teaching recreation skills both on and off duty is receiving greater emphasis.

MILCON

NAVY HOUSING. The Navy's housing program continues to be a top priority in FY89. Our goal is to eliminate our projected buildable deficit of 20,000 family housing units by 1995 utilizing a variety of acquisition methods to include new construction and Section 801 Leasing; while simultaneously restoring the livability of our existing family housing inventory. It is essential that our sailors be able to devote their energies to safeguarding this nation, free from the distraction and worry of finding safe and adequate homes for their families. The FY89 program (Figure (7)) will build 1,356 new family housing units. This roughly equals the FY88 program of 1,374 units. Bachelor quarters construction is an important quality of life issue within the Navy. We have a large deficit, about 85,000 spaces, of which 52,000 require new construction and 33,000 need modernization. From 1982 through 1987 we have averaged about 6,000 spaces annually in our MILCON program. We plan to increase our program in the out-years and significantly reduce our deficit.

FIGURE 7

FAMILY HOUSING DATA TABLE

	FY87	FY88	FY89
Units New Construction	976	1,374	1,356

BACHELOR QUARTERS DATA TABLE

	FY87	FY88	FY89
$M	60.3	60.3	54.6
Spaces	5006	1853	2282

OFF-BASE RENTAL INDEMNITY PROGRAM. Congress mandated DOD to develop a pilot program that would test the feasibility of implementing a program that would guarantee compensation to landlords of military members for breach of a lease or damage to a unit. An off-base rental indemnity pilot program was implemented as NAS Moffett Field in November 1987 and although the participation in the program has been limited, an evaluation of the initiative will be submitted at the end of May 1988.

Child Care Center. The Navy's 112 Child Development Centers are serving over 20,000 children every day, but do not meet the demand. We need Congress' continued support for our MILCON program. Last year we instituted a Family Home Care Program to place children in qualified homes to help absorb some of the Child Development Centers' overflow and meet families' special requirements. Since we instituted the Family Home Care program, over 20 commands are providing care to an estimated 2,800 children in Navy housing and it provides income for an additional 700 spouses.

TOTAL FORCE MANAGEMENT

Overview of End Strength Request. Our Total Force approach is designed to maintain the proper mix of active, reserve and civilian forces to ensure a level of readiness necessary to meet both peacetime commitments and wartime mobilization requirements. In FY89, we are leveling off our end strength as a result of budgetary constraints (Figure 8). Therefore, no increase in active or reserve end strength or civilian appropriations is being requested.

FIGURE 8

NAVY SHIP AND SQUADRON GROWTH

	83	84	85	86	87	88	89
Ship Force Levels	514	524	545	555	568	570	580
Squadrons	211	218	221	233	234	229	230
Carrier Air Wings	12	13	13	13	14	13	13

AVERAGE STRENGTH MANAGEMENT. In FY88 officer and enlisted average strength is being managed by actions designed to maximize cost effectiveness and minimize the impact on personnel and readiness. Accessions are concentrated as much as possible in the latter half of the fiscal year. Officer promotions and enlisted advancements were also concentrated more heavily in the later half of the fiscal year. The FY89 budget submission incorporates similar management actions to control work-year averages.

SHIP DELIVERY DELAYS - END STRENGTH STILL REQUIRED Delay in ship deliveries, especially nuclear submarines, do not result in end strength savings. Navy manpower is apportioned by ship manning requirements - ship delivery delays once the crew manning process has commenced does not postpone billets aboard ships or in the training pipeline. The total Navy end strength remains constant.

For example, a commissioning delay of six months of a nuclear submarine, may not significantly affect manpower assignment unless the delay occurred early in the construction of the submarine - well before loading of the nuclear reactor core. Manpower is assigned to pre-commissioning crews aboard submarines based on contractor milestones. On the 688 class SSN, 30 percent of the crew arrives four months prior to reactor fill - nearly two and 1/2 years before commissioning; 132 of the 133 crewmembers are aboard four months before the first sea trial (9-10 months before commissioning). Conventional surface ships also have an extensive pre-commissioning requirement - depending on the size and complexity of the vessel.

Whatever the ship type, assignment of manpower up to the time of commissioning is carefully staged to meet contract obligations, propulsion plant operating safety standards, and crew training requirements. Missed construction milestones and delays in key events are carefully balanced against these parallel training and contract requirements but do not reduce manning requirements.

EUROPEAN TROOP STRENGTH (ETS). Our ETS requirements are carefully documented and represent only the manpower necessary to support national commitments and NATO missions in Europe. Navy's minimal ETS growth, (Figure 9), is essential for improvements in conventional defense capability, anti-terrorism, afloat buildup in the Mediterranean Sea, and increases in Medical Support ashore.

FIGURE 9

NAVY EUROPEAN TROOP STRENGTH

FY87	FY88	FY89	FY90	FY91	FY92
13,896	15,074	15,100	15,213	15,275	15,250

Navy ETS program is sound and currently programmed to minimum levels necessary to meet Navy requirements. Navy cannot absorb further reductions to current ETS levels without serious degradation to mission capability.

COMPREHENSIVE FLAG LEGISLATION

SUMMARY. Navy has recently completed a zero-based Flag/General officer requirements study conducted by the Hay Group Inc. This study applied a measurable set of parameters which were used to determine senior management positions. The results of this study once again firmly documented DON's requirement for significant additional Flag officer authorizations to manage today's technical and complex naval organization and participate in the Joint/DOD arena.

TITLE IV

IMPLEMENTATION. The Navy has made solid progress toward implementation of Title IV of the Goldwater-Nichols DoD Reorganization Act of 1986. We have conducted two Joint Specialty Officer selection boards - and have a third one planned - to identify our initial cadre of Joint Specialty Officers (JSOs). Having steadily assigned more of our promotable officers to Joint Duty Assignments (JDAs), we expect a steady improvement in the promotion statistics of our officers serving in joint duty. The provision of Title IV which set tour lengths at 3 and 1/2 years for field grade officers and 3 years for flag officers remains as the most restrictive obstacle to full compliance. In the short term, we will be unable to fill 100 percent our "critical" joint duty assignments with JSOs without costly and disruptive adjustments of officer rotation dates. As recognized by the FY88 Authorization Act, the majority of our nuclear qualified officer community will require legislative relief to the joint tour requirements for flag eligibility for the foreseeable future. This will be corrected by a full joint tour as the first flag assignment for these officers. The carrier pilot inventory will continue to make it difficult for full joint participation at the required levels. Migration of talent to non-operational joint billets for periods of 3-3 1/2 years will impact fleet readiness and the quality of officers assigned to fleet support staffs. The extent of the impact has yet to be quantified but it is of concern to the operating forces. We are committed to sustained improvement in every provision of Title IV and to full implementation of its requirements. The ability to meet joint requirements with a minimum tour of 2 years for all officer's with critical operational specialties would greatly facilitate this process. Your support for this initiative is strongly urged.

NUCLEAR-TRAINED OFFICER JOINT DUTY SITUATION. The nuclear-trained officer communities are faced with a significant conflict of interest in that they must satisfy two separate and competing requirements: the safe and reliable operation of Naval nuclear propulsion plants and complying with the provisions of Title IV. The basis for both requirements is codified in Public Law, and both impact on assignment policies for the brightest and highest quality nuclear-trained officers, from which the Navy will select its future flag officers.

Despite the Three Mile Island and Chernobyl accidents in the civilian sector, the Naval Nuclear Propulsion Program has continued to enjoy widespread Congressional and public support. This support is the result of an impeccable safety record over the 35 year life of the program. The Navy's nuclear safety record is a direct consequence of careful attention to detail in all aspects of the supervision, operation and maintenance of Naval nuclear propulsion plants. The cornerstone of success in this area has been the strong oversight and leadership provided by assigning the very best nuclear-trained officers to nuclear training and support jobs.

Historically, many of the Navy's nuclear-trained flag officers have spent much of their pre-flag career totally immersed in positions of responsibility directly involved with the supervision, operation and maintenance of Navy nuclear propulsion plants. Title IV now requires that the Navy send these same officers to a joint assignment in order to make them eligible for appointment to flag rank. The Navy's choice then becomes a decision between using a lesser quality officer in nuclear support jobs or not sending the very best nuclear-trained officers to a joint assignment, and thus potentially precluding their appointment to flag rank. The fact that nuclear-trained officers have typically been in short supply, particularly in the senior grades, exacerbates the problem by limiting career path options and prohibits any opportunity to totally satisfy both requirements.

Because the fundamental structure of the national security posture depends on the continued safe operation of these nuclear propulsion plants, the very best nuclear-trained officers must always fill nuclear support assignments in preference to a joint duty tour, even at the expense of limiting the experience of these officers in joint matters until after appointment to flag rank.

The outgrowth of this policy will be that most newly selected nuclear-trained flag officers will continue to require legislative relief from the provisions of Title IV for the foreseeable future.

WOMEN IN THE NAVY

Overview. The status of women in the Navy continues to improve. All of the recommendations from the Navy Study Group on Women's Progress in the Navy were approved by the Secretary of the Navy and will be addressed later in this statement.

The percentage of Navy enlisted women will increase from the current 9.0 percent to 9.6 percent by the end of FY91. Enlisted women are excluded from entering nine service ratings and nine general ratings because they are found almost exclusively aboard combatants and offer no viable career path due to assignment limitations under the law.

Shore intensive rating groups account for 38 percent of enlisted women's inventory with 16 percent in the sea intensive ratings and 22 percent non-rated. The remaining 24 percent are in ratings that are neither shore intensive nor sea intensive. We are beginning long term efforts to shift the balance of female enlisted from this excess in shore intensive ratings to a more appropriate mix of women in sea intensive and shore intensive ratings. The shift will allow for increased utilization of women at sea, better advancement opportunities and sea/shore rotation approaching that of men.

Women officers will increase from their current 10.1 percent to 10.6 percent of active end strength by the end of FY91. Although the majority of female officers are in the General Unrestricted Line and Nurse Corps, our cadre of female officers in the warfare specialties, Restricted Line and Supply Corps is increasing.

Within the constraints of Title 10 U.S.C. female officers pursue career paths which generally parallel those of their male counterparts in each officer community. For example, we now have 17 commander commands available to women in the surface warfare community and the first woman aviator is scheduled to take command of an air squadron in late 1988 and a second woman was selected for aviation squadron command this year.

RESULTS OF THE STUDY ON WOMEN IN THE NAVY. A study group was initiated by the Secretary of the Navy to conduct a comprehensive assessment of our progress in the full utilization of women and to determine the adequacy of current related policies and programs. The conclusions and recommendations of this study were approved for implementation; we are currently bringing them to fruition. These actions increase significantly the number of sea duty billets open to our officer and enlisted women through assignment of women to 26 of the 36 Combat Logistic Force ships, open shore based VQ aircrew billets to both officer and enlisted women, improve the career progression opportunities, revise recruiting and personnel policies in order to increase advancement opportunities, and provide a balanced enlisted sea/shore rotation. Career opportunities for women in the Navy will be improved.

The study also reported that both sexual harassment and fraternization were problem areas requiring our immediate attention. Vigorous actions are being directed to expand training and education, improve grievance reporting procedures, enhance counseling and to focus attention on these issues during inspections. Clearer policies are being developed regarding fraternization.

The report contained a number of important quality of life recommendations affecting women in the Navy and identified proper medical care for women as an area of particular concern. The Navy Surgeon General's initiatives to provide medical care for all Navy active duty, dependents and retired personnel include efforts to improve care for women by recruiting additional OB/GYN specialists. This issue will be given high priority. Other quality of life issues important to the morale and welfare of our Navy men and women are being pursued.

The study documented our significant achievements, pointed out our shortcomings with specific areas of concern and provided us with a guide for improving our utilization of women along with improving their quality of life. We also believe that these improvements will enhance our Navy. Women are an integral part of our service. We are committed and serious about moving forward and building on our record of accomplishments for fully assimilating women in the Navy.

RESERVES

RESERVE FORCE END STRENGTH Our request for FY89 is for 152,600, the same as authorized for FY88. This includes 21,991 full-time active duty reservists. This is the minimum number of personnel necessary for the Naval Reserve to fulfill its expanding role, to man new ships, aircraft squadrons, mine countermeasure support and medical support programs.

There is no growth of Full-Time Support (FTS) active duty reservists during FY89. These full-time reservists are Training and Administration of Reserve (TAR) personnel, a small number of Selected Reserve officers voluntarily recalled for headquarters duty per Title 10 U.S.C., section 265, and Reserve Recruiters on Active Duty for Special Work (ADSW). FTS personnel are necessary for several reasons. The number of Selected Reservists who require training and administration continues to grow. Training requirements associated with the modern state-of-the-art equipment being used by the Naval Reserve is greater than ever before. Manning requirements in Naval Reserve Force ships, reserve aircraft squadrons and other programs are increasing. Also, FTS personnel are required to support continued TAR rating expansion with the associated billet conversion from USN to TAR and to maintain the numbers in these rates necessary to provide a career path. Figure 10 summarizes our Selected Reserve end strength:

FIGURE 10

SELECTED RESERVE END STRENGTH

	FY88	FY89
Paid Drilling Reservists - Total	130,609	130,609
- Officer	26,816	26,796
- Enlisted	103,793	103,813
Full-Time Support - Total	21,991	21,991
- TAR Officer	1,885	1,885
- 265 Officer	233	233
- TAR Enlisted	18,396	18,396
- TEMAC Officer	185	185
- TEMAC Enlisted	1,292	1,292
Total End Strength in Paid Status	152,600	152,600

FULL TIME MANNING BEING APPLIED TO WARTIME READINESS. Most Naval Reserve FTS personnel are assigned to Naval Reserve hardware units or to units responsible for training Selected Reserve personnel for mobilization. Only a small portion of FTS Personnel are assigned to staffs.

IMPROVING INDIVIDUAL SKILL QUALIFICATIONS. For the past four years, the Naval Reserve has been in the process of correcting deficiencies in training identified by various inspections and audits. The result of these efforts has been the development of numerous initiatives aimed at providing a "trained vice trainable" asset in time of mobilization. Some of the ongoing programs in the Naval Reserve which impact directly and positively on individual skills qualifications are briefly described below:

-- Reserve Billet Training Plans (RBTPs) or Reserve Training Tracks (R-TRACKs) have been developed for almost every Naval Reserve billet, providing Selected Reservists with the training requirements of his/her mobilization billet.

-- Qualification Study Packages (QSPs) have been developed to assist in completing Personnel Qualification Standards (PQS's), and consist of theory, systems, and watchstation training which can be conducted in classrooms and/or self-paced study.

-- Skill qualification courses are being modularized or condensed in order to be taught during Inactive Duty Training (IDT), Active Duty for Training (ADT) or Annual Training (AT).

-- Courses and instructors from active schoolhouses, civilian schools, and gaining commands are being brought to drill sites to provide mobilization training under the Exportable Training program.

-- The Naval Air Reserve has implemented the Aviation Training Improvement Program (ATIP) which is an automated diagnostic question bank covering weapons systems and platform maintenance, and is used to develop individual and squadron/unit training plans.

-- Skills not attainable or maintainable because of time constraints of Naval Reservists have been identified for deletion from Naval Reserve requirements.

CIVILIAN STRENGTH ISSUES

CIVILIAN MANPOWER. Navy's civilian manpower component continues to be an essential element in our Total Force management program. Most civilian employees are employed in activities directly related to our readiness posture; approximately half of the work is in industrial fund activities which perform depot level maintenance and repair of ships, planes, and associated equipment. Civilians employed at operation and maintenance activities such as supply centers, ship repair facilities, and Naval and Marine Corps aviation activities also contribute directly to operational readiness. Other civilians provide essential support in functions such as training, medical facilities, and the engineering, development, and acquisition of weapons systems, which have a definite, although longer range, impact on readiness.

Navy civilian manpower estimates in our budget are in balance with reduced program funding levels. These figures reflect a decrease of some 14,000 from 331,473 in FY87 to 317,437 in FY89. Our FY88 estimates incorporate congressionally directed resource reductions totaling some 1,900 for savings to be achieved as a result of efficiency and productivity studies, organizational analysis and other cost containment activities, as well as congressional reductions totaling nearly 900 targeted for streamlined staffing of acquisition management and another 700 in management headquarters staffing levels as mandated in the Goldwater-Nichols DOD Reorganization Act.

FY89 estimates carry forward the impact of directed FY88 reductions which I just described and project additional savings of some 3,300 positions to be achieved as the result of economy and efficiency initiatives. In FY89, we have also reflected manpower reductions in virtually every area which are related to reduced program levels. Reductions in required depot level maintenance account for a reduction of 4,000 at the Naval Shipyards, while the Naval Aviation Depots and Naval Ordnance Activities each draw down by 400 from their FY88 levels. In addition, our end strength estimates for industrial fund activities continue to reflect the benefits of improved efficiency and productivity. These savings are being achieved through improved scheduling to realize the most efficient working tempo, optimum use of overtime, reductions in overhead, and other measures.

During FY88 we will continue to responsibly manage civilian employment as a cost linked to program, using the flexibility which the Congress has provided by extending its waiver of statutory end strength ceilings.

During FY87 our approach to managing civilian employment required that our line managers transfer their focus to payroll costs rather than the traditional end strength concept. The result was a new pervasive emphasis on the economical and efficient accomplishment of workload. In FY87 our civilian payroll costs were within the budget estimate.

CIVIL SERVICE SIMPLIFICATION ACT. The need for a major overhaul of the civil service white collar classification and pay system is urgent. In the last two years, there have been a number of proposals for special treatment for different groups of Federal employees, all designed to address a widely perceived problem in recruiting and retaining a quality work force. The Department of the Navy (DON) played a key role in developing legislation, based on the success of an experiment at two Navy laboratories, which the Administration recently reintroduced as the Civil Service Simplification Act. We continue to support legislation that will allow more widespread application of alternative personnel systems for civilian employees.

REQUIREMENTS DETERMINATION/VALIDATION

OFFICER SHORE REQUIREMENTS. Officer Shore Manpower Requirements result from several rigorous processes that are generally validated by on-site review and/or measurement of an activity's mission. Functions to be performed are analyzed and validated by an efficiency review process to determine those functions required for mission accomplishment. DOD and Navy military essentiality criteria are then applied to differentiate between military and civilian requirements. The efficiency review process establishes the minimum qualitative and quantitative peacetime requirements consistent with assigned mission and tasks for an activity. Wartime requirements for shore activities are determined by the Navy Manpower Mobilization System (NAMMOS). Specific processes used in determining peacetime shore officer requirements include: Staffing standards; efficiency reviews; Commercial Activity (CA) studies which include a competitive assessment of in-service versus contractor staffing requirements; special contractor studies targeted on specific activities or types of activities like the Coopers and Lybrand studies of Navy Shipyards, Naval Aviation Depots, etc; Individuals account which identifies the requirements needed to keep Navy operating and dynamic (e.g., officer attendance at professional military education courses, other formal training and enroute permanent change of station); and the rigorous planning, programming and budgeting system (PPBS) that periodically validates all requirements.

Scrutiny of activity level requests for additional manpower are reviewed at all echelons of command in the Navy in the PPBS as well as in the day-to-day management of manpower resources. My organization, as the military appropriation sponsor and manpower assessment sponsor, completes a baseline assessment of all Navy resource sponsor and claimant requests for manpower. Detailed procedures exist that require coordination with manpower requirements analysts before manpower authorization changes are approved and programmed. Those requests that cannot be supported by valid requirements and/or from a program execution standpoint are denied and not included in program budget submits to DOD and Congress.

As I indicated earlier, shore manpower requirements are primarily based on measured peacetime workloads and man-years of effort to accomplish the approved mission. Military essentiality is applied to differentiate between military and civilian requirements. Manpower requirements are military if required for reasons of law, training, security, discipline or combat readiness; if a military background is required for successful performance of the duties involved or civilian skills are not available.

Manpower requirements for managerial, operational, or professional decisions (as applied to officer speciality categories) will normally be classified as officer billets. The Navy uses sea/shore rotation as a basis for designating the appropriate number of shore billets as requiring military which is per DOD guidance for military essentiality for purposes of "rotation".

Certain management positions are designated as requiring military when necessary for career development. Manpower requirements that do not meet the above criteria and can normally be performed by civilians are determined as either/or requirements (can be filled by military/civilian/contractor). Sea/Shore rotation, career progression and the need to maintain Navy-unique skills determine the number of either/or requirements that will be authorized as military.

To briefly summarize the officer requirements issue, the Navy's increasing officer requirements are predominantly based on combat essentiality, needed to man our ships and new aviation squadrons. Officer requirements in fleet units and fleet support activities ashore are justified by rigorous validation processes and subject to long standing policy for determining military essentiality. The requirements are further subjected to intense review in the PPBS process both from an assessment standpoint during the planning phase and from a program standpoint during the development of the POM. Finally, individual requests to change specific billets are reviewed both for consistency with approved programs and for support with a validated manpower requirement.

SHORE REQUIREMENTS DETERMINATION PROCESS. A revised shore requirements determination program has been recently approved by the Secretary of the Navy. The Secretary has directed implementation of a program that requires a central authority to provide: oversight of claimant program execution; formulation of program policy and procedures; quality assurance of claimant Efficiency Reviews (ERs) and standards; manpower requirements and authorizations data management; training; technical support to claimants; and, manpower mobilization planning; requiring claimants to conduct (ERs) on their activities.

The revised shore requirements determination process encompasses both military and civilian manpower. The process has sufficient rigor to be credible with outside users; sufficient consistency and objectivity to be useable by the OPNAV staff in planning, programming and budgeting for manpower resources; sufficient centralization to ensure that the Chief of Naval Personnel can create the required military inventory; and sufficient flexibility to respond to changes in the Navy's decentralized civilian personnel management system. The Efficiency Review (ER) process along with staffing standards developed incident to an ER, form the basis for the requirements determination program.

The revised program focuses on the continuing improvement of work processes and procedures as a method of better defining manpower requirements and reducing operating costs. Work is to be defined by Performance Work Statements (PWS) that clearly describe the work to be performed. A variety of methodologies are employed to develop efficiency reviews and staffing standards with emphasis on simplicity and avoidance of duplication and inordinate "precision" in areas where less costly techniques will suffice. Managers are to review operations and eliminate inefficient and wasteful practices. The process determines the best methods by which work can be performed and the Most Efficient Organization (MEO). ER/MEOs form the basis for budgeting and manpower planning purposes. Once MEO budgets are established, our manage-to-payroll process takes effect for civilian personnel and managers will be permitted to deviate from the civilian manpower plan established by the ER/MEO, provided the budgeted civilian payroll is not exceeded in the execution years. The requirement by DOD to conduct an ER at least once every five years will be met. ER's are to be conducted top down rather than across functions, to ensure that the ER process supports the activity's overall mission and warrants the expenditure of the activity personnel efforts. The five-year cycle is the prime resource driver for executing this program.

SHIP/SQUADRON MANPOWER DOCUMENT CURRENCY VALIDATION (SMD/SQMD). The Navy's SMD/SQMD programs were audited by the General Accounting Office which examined all of the Navy's fleet manpower requirements determination processes. Positive actions were taken to implement GAO recommendations and the DOD Inspector General agreed that Navy's corrective actions on the GAO Report NSIAD-86-49 (Ship Manpower Document Program) had been institutionalized within the program. The SMD program audit follow-up was closed by the DOD Inspector General on 14 May 1987. Twenty-five percent of the one remaining SMD action item (Workload Accuracy Revalidation) recommended in the GAO audit has been completed. Remaining Workload Accuracy Revalidations will be completed by September 1989.

In October 1987, the Squadron Ground Officer Staffing Guide was approved in response to recommendations made in the May 1987 GAO Report NSIAD-87-101 (Squadron Manpower Document Program). We have placed existing Aircraft Squadron Staffing standards on a triannual review cycle which is another positive action taken to implement GAO recommendations. Twenty percent of the one remaining SQMD action item (Workload Accuracy Revalidation) has been completed. Remaining Workload Accuracy validations will be completed by September 1989.

Our actions to enhance the validity and currency of the SMD/SQMD programs have improved the standards application process and help to ensure that the Navy continues to use credible systems for determining fleet manpower requirements.

QUALITY OF LIFE ISSUES

COMPENSATION

PAY RAISE. The Navy has enjoyed excellent retention in most skill areas for the past several years. In part this is due to the large pay raises that occurred in the early 1980's which restored military compensation to adequate levels and reduced the disparity between civilian and military pay. Pay caps since 1983, however, are recreating the same unhealthy climate that existed in the late 1970's when we were unable to retain adequate numbers of trained personnel. Recent pay raises have not kept pace with the increases in civilian wage growth. The gap between military and civilian wage growth since 1982 is now 11 percent as measured by the Employment Cost Index. I strongly support DOD's request for a 4.3 percent across the board pay raise which will help our sailors maintain their standard of living and prevent our best and brightest from seeking employment in the civilian sector.

PAY COMPARISON STUDY. The recent GAO Military/Federal Civilian Pay Comparison Study has attracted a good deal of media and congressional attention. The study claims that military compensation averages 27 percent more than civil service compensation when comparing people of the same age, education level, and sex. However, it did not account for other critical factors such as occupation, experience, personnel selectivity, employer directed moves, length of workweek, and other non-monetary aspects which differ greatly between military and civil service jobs. Because of these omissions, GAO's finding that military compensation far exceeded civil service compensation is misleading and erroneous. Even the most rigorous pay comparison study can only imprecisely measure the advantages and disadvantages of different jobs. The adequacy of military disadvantages of different jobs.

MARRIED SERVICE COUPLE HOUSING ALLOWANCES. Current law prohibits the payment of BAQ and VHA to E-6 and below without dependents when they are assigned aboard ships since ship board quarters are considered adequate government quarters. Consequently, Navy service member couples are uniquely disadvantaged when they are assigned to sea duty. Because the law also requires treatment of each service member as "single" for allowance purposes, married Navy couples without children face the loss of all housing allowances when ordered to sea duty. This loss of housing allowances is a major constraint to our distribution system, a disincentive to return to sea from shore duty, and a growing problem as the number of married service couples increases. (Approximately 20,000 Navy personnel are married to other service members.) The FY88 Defense Authorization Act required a report by the GAO to the committees on Armed Services on the fairness of military housing allowances. In considering the GAO report, the Armed Services Committees are encouraged to carefully examine the disadvantaged position of the Navy's member married to member junior enlisted service personnel.

HOUSEHOLD GOODS WEIGHT ALLOWANCES INCREASES. DOD forwarded a report to the Congress last year that provided rationale for needed increases in household goods weight allowances for our personnel who have dependents. In some prior years, the budget request has included funds to enable household goods weight allowance expansion. The funds have been cut. This year the needed funds are not in the budget for that reason. I urge that the recommendations of the DOD be supported and that funds be provided.

EXPANDING DEFINITION OF DEPENDENTS. Application of current law limits the payment of travel and transportation allowances to spouses and natural or adopted children. This prevents reimbursement to a service member for the travel expenses of a child, in the legal custody of the member but not adopted, when permanent change of station is directed. On multiple occasions, I have been required to explain to a sailor who has custody of his grandson that the government will only pay for the child's transportation if he adopts his own grandson. I invite the committees' review of this inequitable situation.

VARIABLE HOUSING ALLOWANCE (VHA). The (VHA) program has been under fire for a number of years. The program was remodeled in 1985 and has had funds cut from it in FY87 and FY88. The result of those cuts is that our personnel are frequently forced to accept undesirable housing. Simply put, rental housing costs are going up faster than BAQ and VHA, and this is particularly true in areas of fleet concentration. Our sailors have seen the value of their VHA and BAQ slip by 52 percent relative to housing costs over the last three years. I most strongly urge that requested funds for VHA be provided.

SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION REPORT (QRMC). During the past year Navy has been working closely with the 6th QRMC. We have been providing feedback as necessary as the QRMC conducted a comprehensive evaluation of the benefits and costs of all reserve component compensation programs. Navy is now evaluating the recommendations of the 6th QRMC, particularly proposals for a change to the reserve retirement system, which has been essentially unchanged since its enactment in 1948.

HUMAN RESOURCES

NAVCARE CLINICS are a vital instrument in providing quicker, more convenient access to high quality health care for our beneficiary population. In FY87, our NAVCARE Clinics accounted for 164,126 outpatient visits. These are visits that would otherwise have been forced into already overburdened fixed treatment facilities or into the CHAMPUS program. The clinics have been very successful. Because of this we are planning to open additional clinics in this fiscal year at Norfolk, VA, Charleston, SC, and San Diego, Long Beach, San Francisco, and Camp Pendleton, CA.

Access to health care is a major concern for our active duty dependents, and our retired and their dependents. With an increased number of our members on deployment, isolated duty, and geographic separations, our members must feel confident that health care is provided for their families. User fees for non-active-duty visits to health care facilities would decrease this confidence and is a major erosion of benefits.

FAMILY SUPPORT PROGRAMS. There are numerous family programs and services available to all Navy personnel and family members, including family members of deployed personnel.

Navy Family Service Centers (FSCs) provide information, referral and services for a variety of family oriented programs including parenting classes, parent support groups, workshops, family member employment assistance, counseling and counseling referrals. Information about these classes and services is made available at command pre-deployment briefings for family members and advertised in base newspapers, FSC newsletters and calendars of events, Ombudsmen newsletters, flyers, and base TV at overseas sites.

Specific programs offered for family members of deploying personnel are pre-deployment and reunion briefings and workshop and deployment support groups. Navy recognizes the additional stress on families when one parent is absent and encourages family members to avail themselves of parenting classes and support groups, and other education to increase their coping skills.

Commanding officers of each unit are responsible for ensuring that availability of services to their family members is coordinated with service providers. For most commanders, the base FSC is the primary service provider. The FSCs are supported by appropriated funds of the base. Additionally, some appropriated funds are available each year from the DOD for Family Advocacy (child and spouse abuse). Prototype prevention programs have included family members of deployed personnel and some programs have been primarily targeted for these families.

Another important service available is the Command Family Ombudsman, a volunteer spouse appointed by the Commanding Officer to assist families and link the Command and the families. Material and logistical support for the Ombudsman is provided by the command from appropriated funds; official expenses are reimbursable from command non-appropriated funds if availability and priority for these funds permits

Other sources of services for which we are most grateful are the military affiliated community organizations. For example, emergency financial assistance is available to families via the Navy Relief Society and the American Red Cross. Armed Services YMCA also sponsors classes, workshops and provides outreach services to military family members.

Also, recreational services including clubs, gyms, sport and hobby equipment and rentals, classes, and entertainment and ticket services are available to all families. These services are funded through base appropriated and non-appropriated funds. Many deploying commands have made arrangements to reduce the costs of tickets and entertainment services for family members by underwriting part of the costs from the command's non-appropriated funds.

THE NAVY'S SPOUSE EMPLOYMENT ASSISTANCE PROGRAM (SEAP) is a computerized network of employment programs presently located at 55 of the Family Service Centers (FSCs) worldwide. We plan to expand to more than 65 centers in the next few years. The goal of SEAP is to improve retention by helping families stay together and to maintain or improve their quality of life despite their frequent moves. Employment Specialists at FSCs assess demographics and needs of spouses, analyze local employment conditions, develop and list job opportunities, coordinate military and civilian resources, and conduct employment assistance programs. They provide information and referral on career and educational planning and opportunities, provide skills training workshops, and maintain computerized job listings (local and linked with other FSC locations).

Projecting conservatively from past performance, this year SEAP job placements will generate over $50 million in additional income to Navy families, versus the annual program cost of approximately $1.8 million. I believe that this program has and will continue to have a positive and significant impact on retention and the quality of life of Navy families.

EQUAL OPPORTUNITY. Equal Opportunity is such a fundamental element of good leadership and so vital in maintaining the high state of morale, discipline and readiness of today's Navy that it remains one of our top priorities. Unequivocal commitment by all Navy personnel to the letter and the spirit of our Equal Opportunity Program is the only acceptable standard. At its inception, the Equal Opportunity Program became a recognized Navy-wide priority and resulted in substantial progress toward the achievement of all our equal opportunity goals. However, there is still room for further progress. Continuous efforts are being made to assess the performance of our program and to correct noted weaknesses. The Navy remains committed to equal opportunity for all our personnel now and in the future.

HUMAN IMMUNODEFICIENCY VIRUS (HIV) POLICY. In December 1985, DON established its initial policy on managing the Human Immunodeficiency Virus (HIV) infection (then identified as HTLV-III). It reflected the information available to both the military and civilian communities on the HIV infection and

Acquired Immune Deficiency Syndrome (AIDS). The policy was updated 27 October 1987. The policy takes into account the risk to the infected individual due to military service, the risk of transmission of the disease to non-infected personnel, the effect of infected personnel on naval units, and the safety of the blood supply.

Our objective from the onset has been and continues to be to take a humane and individual approach to all aspects of the HIV issue. We emphasize the privacy of the individual and his/her family.

Our policy focuses on three main areas: Identification, monitoring, and disposition of Naval personnel infected with HIV. All accessions for the naval service are screened for the HIV antibody and those who test positive are not allowed into the Navy or Marine Corps. Additionally, a screening program has been established for active duty and reserve personnel. Navy/Marine Corps active duty testing cumulative results as of 30 November 1987 show 1714 of 837,957 to be positive, or 2.0 persons per 1000 tested are positive. Those personnel who screen positive for the HIV antibody receive a thorough medical evaluation. Those members who show no evidence of illness and whose immune systems are intact are retained in the naval service and are monitored on a recurring basis. On the other hand, members whose evaluations indicate illness and who are not fit for duty are medically separated.

One ongoing effort that is receiving special attention in both the military and civilian communities is education and training on HIV and AIDS. We are continuing our efforts to ensure all our personnel receive factual information--that they know what the disease is, how it is transmitted, and what they can do to protect themselves. It is this education process which will help each naval member to counter the myths and dispel the misconceptions about the disease. Programs are being implemented to educate our health care workers to prevent their exposure, including providing the Center for Disease Control (CDC) AIDS/HTLV-III pamphlet to all medical treatment facilities, ships and stations. We have also released a film, Facts Over Fears, for use by all Navy and Marine Corps activities.

Our efforts support the numerous efforts that are ongoing throughout the country to combat this disease. We recognize that the scientific and medical information continues to grow day by day. Our policies and actions remain flexible to deal with the information as it becomes available.

TRAINING AND EDUCATION

Overview. In peacetime, the most important mission of the Navy is training. Our training and education programs support requirements across a broad range of functional and mission areas. Ultimately, all Navy training is in preparation for prompt and sustained combat operations at sea in support of our national maritime strategy. We have improved the Navy's readiness through focused attention on training and education. To maintain these gains, continued support proportionate to fleet growth will be required.

TRAINING ISSUES

TECHNOLOGY CHALLENGE. Rapid technological change is a major consideration in planning a Navy training strategy. The average sea/shore/sea tour rotation (typically six years) is sufficiently long to require refresher training or an introduction to new equipment before second and subsequent sea tours. Navy active and reserve enlisted specialized skill training requirements have grown from 36,343 work-years in 1980, to 45,230 work-years in 1988. This growth reflects advancing technology, personnel turnover and a limited ability to re-use some specialized training in subsequent assignments.

DEMOGRAPHICS AND THE QUALITY RECRUIT. The projected decline in the recruitable youth population is becoming a reality which represents unique training requirements: we must reduce the gap between the skills required and the basic skills new recruits bring with them. Authoritative studies show that an estimated 20 percent of our accessions currently need literacy and/or prerequisite technical skill enhancement and that this percentage will increase as we enter the 1990s.

Accordingly, we are continuing our efforts in remediation and skill enhancement. Already, we have in place a skill and literacy enhancement continuum. A principal concern is that we may not be reaching the targeted population to address identified needs. We are expanding our skill enhancement continuum to meet the minimum training needs of the Navy men and women of the '90s.

MODEL SCHOOL CONCEPT. In June 1987, the Chief of Naval Education and Training began a long term project to create a model by which the best possible "A" school curricula could be developed. Using the Electrician's Mate (EM) "A" School as the test case, the project eventually will identify and apply the best instructional techniques and technologies available across the spectrum of "A" school curricula.

RESOURCE CONCERNS. The training budget request is at the minimum level to support the increased force levels. Investments in training facilities, training devices and technical training equipment have been reduced. Further cuts in the Operations and Maintenance account will force reductions in the quality of our education and training programs.

MILITARY CONSTRUCTION (MILCON) AND MAINTENANCE AND REPAIR OF REAL PROPERTY (MRP). The significant cuts to training MILCON in recent budgets represent a serious erosion of training for personnel readiness. Much training can only be accomplished in dedicated training facilities, yet seven of our top thirteen training MILCON projects were cut by congressional action on the FY88 budget.

Under MRP program, funding for Backlog of Maintenance and Repair (BMAR) has not kept pace with requirements. Current training BMAR is $301 million, $130 million of which represents critical projects. The backlog in BMAR is predicted to grow to $364 million by the end of FY89.

MANAGEMENT OF TRAINING. We are actively pursuing several promising programs to improve training for our Navy men and women but at lower cost.

IMPROVING ATTRITION RATES. High rates of attrition in our school-houses, particularly in the high-tech "A" school pipelines is also a matter of concern. In November 1987, Navy undertook a complete review of "A" school pipelines to reduce both academic and non-academic attrition rates, and to improve training efficiency.

CONTINUUM PROCESS. The goal of the warfare training continuum process is to teach the right material at the right time in an individual's career. Fleet experts determine training requirements in a single-source catalog. We intend to weed-out unnecessary or redundant material and thereby improve tfaining efficiency.

Each continuum training plan is a product of, by and for the Fleet. For that reason, continuum training will offer solid improvement in our overall readiness and our tactical warfighting capabilities.

AVIATION PILOT TRAINING SHORTFALL. Cancellation of the Navy's 14th Carrier Air Wing reduced our requirements for new pilots and Naval Flight Officers (NFOs). However, we still expect pilot and NFO training shortfalls in FY88 and FY89. These shortfalls could lead to shortages of instructors in the future and reductions in the flight training base.

Pilot training shortfalls in FY88 and FY89 will be concentrated in the strike (jet aircraft) communities to meet pressing demands in maritime patrol and helicopter aviation.

T-45 TRAINER AIRCRAFT SYSTEM. The Navy T-45 Goshawk trainer aircraft will meet our jet fighting training requirements. It is ready for pilot production release now. This program has enjoyed broad Navy and congressional support, and will be the primary jet training platform through the year 2015.

When compared to the present system, the T-45 aircraft will reduce the cost to train a pilot. To sustain required training rates, we plan to build a total inventory of 302 T-45 aircraft and 32 flight simulators.

EDUCATION ISSUES.

ACCESS TO EDUCATIONAL OPPORTUNITY. Access to educational programs remains a priority item in the Navy's activities.

Participation in the Navy's Voluntary Education Program, Navy CAMPUS, continues to reflect the concerns of our members about opportunities to enhance their education.

NAVY CAMPUS PARTICIPATION - TUITION ASSISTANCE. In FY87, participation in the Navy CAMPUS program numbered well over 140,000 personnel, despite budget cutbacks and reductions. The largest participation continues to be in the Tuition Assistance (TA) program which helps fund post-secondary education for over 106,000 of our members.

SERVICES TO THE FLEET - PACE. Through the Program for Afloat College Education (PACE), Navy provides quality educational opportunities to our personnel in the most remote areas of the world. We also are exploring new and advanced delivery systems to provide educational opportunities in such high tempo environments.

EFFORTS TO EXPAND TECHNOLOGY TRANSFER AND COOPERATION TO PUBLIC EDUCATION. The Navy is contributing to the improvement of public education in two ways. First, we are participating on a joint committee of the Education Directorate of the Office of the Secretary of Defense to provide information on technology transfer between DOD, state governments, schools, and industry. There are a number of initiatives within the voluntary education program which could be translated into options for state governments interested in increasing basic literacy among their populations. The Navy Campus Functional Skills program is developing stand-alone literacy modules in reading and mathematics which could be utilized outside the Navy. The second avenue of cooperation with public education is through the outreach component of the Navy's Personal Excellence Program. This program fosters collaborative partnerships between individual Navy commands and local schools in communities nationwide. The Navy is teaming up with a broad spectrum of public and private sector organizations in an effort to pool volunteer resources essential to improving the education, health/fitness and citizenship of our nation's youth. Representative partnership formats already established to promote youth excellence include: Adopt-A-Schools, Saturday Scholars, Math/Science Initiative and activities such as "Just Say No To Drugs" and "Big Buddies".

SUPPORT ISSUES

INFORMATION RESOURCES MANAGEMENT (IRM MANAGEMENT). In response to DOD Directive 7740.1 of 20 June 1983, a Manpower, Personnel, and Training (MPT) Information Resources Management (IRM) program was established in October 1986. MPT IRM includes overseeing MPT business descriptions, data base architectures, information systems (both automated and non-automated) and information technology. IRM policy and procedures address such areas as access, timeliness, accuracy, integrity, privacy, security, auditability, ownership, use, and cost effectiveness of information.

There are numerous information interfaces between MPT and other functional areas. Interface conferences and planning meetings aid in sharing information requirements between commands which have similar interests. They allow for information exchange between managers in DOD, DON, Headquarters, and field commands.

The Comptroller of the Navy (NAVCOMPT) and I are jointly committed to the achievement of the integration of the military pay and personnel systems and comparable civilian systems. Co-sponsored projects and efforts include: (1) the Pay and

Personnel Source Data System (SDS) to improve the accuracy and timeliness of information reported from the field; (2) the military personnel/pay (PERSPAY) project to upgrade and consolidate the automatic data processing operational support for Navy pay and personnel systems; (3) integration of reserve with active and civilian data; (4) the interface between military personnel systems and the Joint Uniform Military Pay System (JUMPS); (5) the Navy Military Integrated Pay and Personnel Strategy (NAVMIPPS); and (6) interfaces between civilian personnel and payroll systems such as the Navy Civilian Personnel Data System (NCPDS) and the Navy Standard Civilian Payroll System (NAVSCIPS).

In summary, the effective management of information as a resource will significantly assist MPT Managers in their day-to-day decisions affecting military and civilian personnel resources. Recent initiatives by the DCNO(MPT) have resulted in participation by flag officers and senior civilian executives in decisions affecting the future employment of MPT information resources. The cumulative effect of these actions will result in ultimate improvement of the end product---better information for management of the Navy's manpower, personnel, and training resources.

RESEARCH AND DEVELOPMENT. One of our best investments for future success is a research and development program dedicated to advancing and improving manpower, personnel, human factors, and training technology. Our R&D efforts in manpower and personnel systems are producing computer based personnel assignment techniques that are fast, accurate, and labor efficient. These techniques will help the Navy to sustain fleet personnel readiness through best use of its PCS budget allocation. Research and analysis of budget obligation is improving the Navy's ability to execute within its manpower appropriation without deviating from well established personnel policies. As primary agent for all services we are developing automated methods for administering Armed Forces selection and classification tests. In the training arena we are importing and building on advanced technologies to provide, for example, an automated instructional materials authorizing system which increases the accuracy and currency of Navy training materials without increasing costs. R&D in human factors engineering is fielding automated aviation decision aids that significantly improve mission performance. Advances in the design of displays used in submarine combat control systems will reduce "information overload" now experienced in tactical decision making aboard new combatants. Our R&D efforts are also improving the design and reducing the cost of large scale training devices and simulators through "proof of concept" prototype development.

Continued congressional support for this small but vital R&D program will provide us with an essential capability to meet the Navy's current and future requirements for a well trained, well manned, and ready fleet.

SUMMARY

The Manpower, Personnel and Training budget request reflects our concern for deficit reduction, while facing the fiscal realities of meeting our national commitments and maritime strategy.

As we enter an era of leveling force structure - thus doing more with less, we must ensure that our pay remains competitive, our allowances are distributed equitably, and our Quality of Life and Morale, Welfare and Recreation Programs remain fully funded.

As officer reductions continue, we must face the realities of manning the fleet, joint and health care professional billets - something will have to give, beyond the current shore establishment and support facility drawdowns.

As recruiting goal achievement becomes a tougher challenge, we must ensure that our retention goals are maintained and that our training, education and professional development continue to provide the highest quality Navy that the country desires and deserves.

In short, we face many manpower, personnel and training challenges in the years ahead to ensure we continue to man our Navy with the caliber of professional men and women we so much enjoy today. I ask your help, guidance and understanding in this endeavor.

APPENDIX A

The Military Personnel, Navy (MPN) Appropriation Request

The FY-89 MPN request is for an appropriation of $18,965,300,000 in obligational authority. This is a net increase of about $789 million from the current FY-88 funding requirement. The major factors are an increase in workyears of 7,425 for $187 million and the cost of a 4.3% pay raise effective 1 January 1989 for $519 million. Inflation, equating to $22 million of the increase, has been included for enlisted subsistence, permanent change of station travel and temporary lodging allowance. Details of other cost increases and decreases are provided on pages 17 through 18 of the MPN budget request. The following paragraphs provide explanations on funding required for selected budget activities; and Chart A reflects funds requested for all six budget activities, as well as the percent of each to the total program.

MILITARY PERSONNEL, NAVY DOLLARS ($000) BY BUDGET ACTIVITY

BUDGET ACTIVITY	FY 1987 (ACTUAL)	%	FY 1988	%	FY 1989	%
PAY AND ALLOWANCES - OFFICERS	4,156,189	23.5	4,250,702	23.4	4,427,990	23.3
PAY AND ALLOWANCES - ENLISTED	12,157,088	68.8	12,545,648	69.0	13,102,780	69.1
PAY AND ALLOWANCES - MIDSHIPMEN	36,393	.2	38,281	.2	39,396	.2
SUBSISTENCE OF ENLISTED PERSONNEL	757,783	4.3	777,357	4.3	817,352	4.3
PERMANENT CHANGE OF STATION TRAVEL	516,920	2.9	521,014	2.9	540,910	2.9
OTHER MILITARY PERSONNEL COSTS	45,345	.3	43,295	.2	36,872	.2
TOTAL DIRECT PROGRAM	17,669,718	100.0	18,176,297	100.0	18,965,300	100.0
REIMBURSABLES	123,864		125,100		126,700	
TOTAL FINANCIAL PROGRAM	17,793,582		18,301,397		19,092,000	

CHART A

1. Pay and Allowances of Officers

$4,427,990,000 is requested to support planned officer strength in FY-89. This represents a net increase of about $177 million from the FY-88 level. These changes are attributed primarily to Basic Pay, Retired Pay Accrual, Basic Allowance for Quarters, Variable Housing Allowance, Basic Allowance for Subsistence and FICA. The funds required in this budget activity are based primarily on the monthly strength plans and resultant workyears indicated in Chart B.

FY 1988 AND 1989 OFFICER STRENGTH PLAN

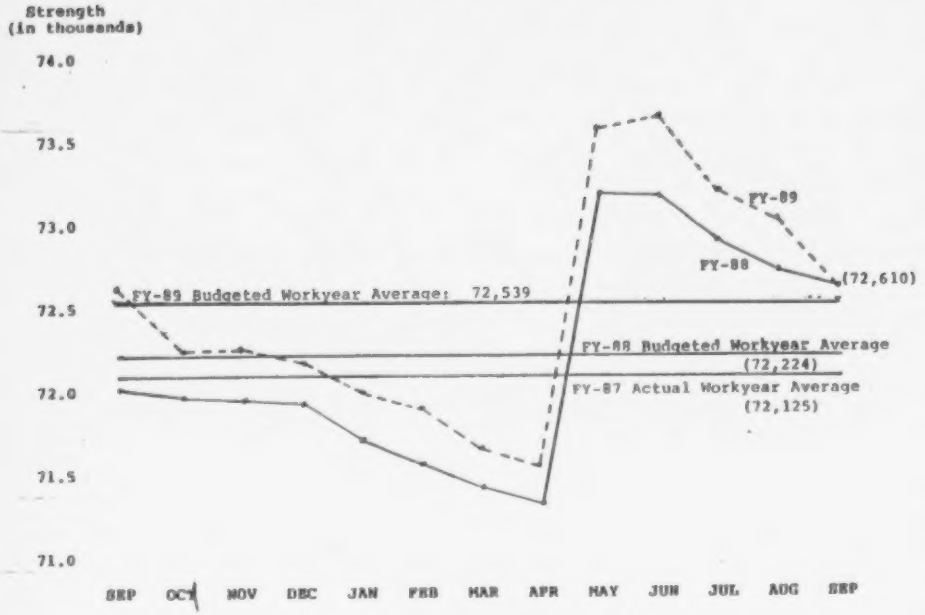


Chart B

2. Pay and Allowances of Enlisted Personnel

Planned enlisted strength will require $13,102,780,000 in FY-89. This represents a net increase of about $557 million over the FY-88 level. The largest increases are for Basic Pay, Retired Pay Accrual, Basic Allowance for Quarters, Variable Housing Allowance, Clothing, and FICA, which are the strength related items affected by workyear increase.

The funds required in this budget activity are primarily based on the monthly strength plans and resultant workyears are indicated in Chart C. Budgeted workyears in FY-89 are 1,343 below a "straight line" computation between the end strengths of FY-88 and FY-89.

FY 1988 AND 1989 ENLISTED STRENGTH PLAN

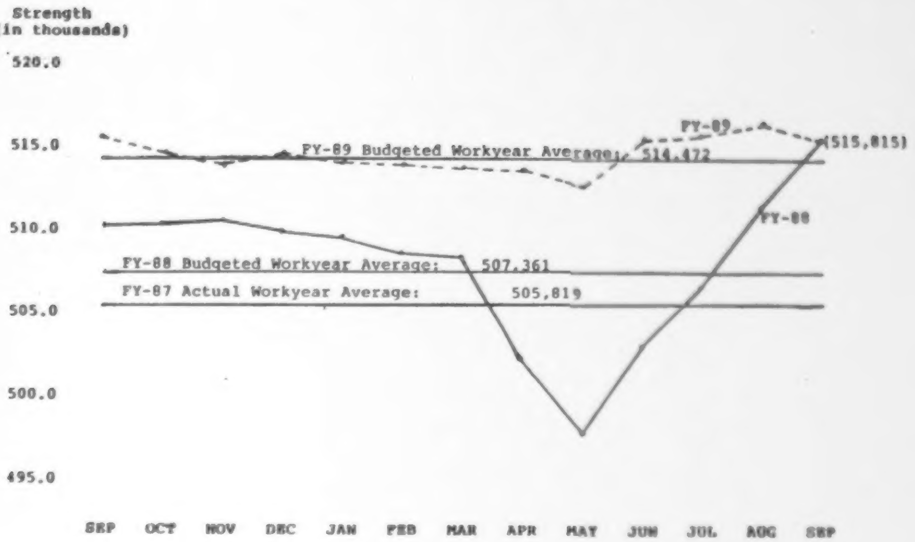


Chart C

3. Subsistence of Enlisted Personnel

The amount required for Subsistence of Enlisted Personnel is $817,352,000 in FY-89. The estimated cost to feed an enlisted member in a General Mess has been developed on current costs plus the inflation factor of 3.8 percent in FY-89, as allowed by OSD. Program requirements also increase as a result of a workyear increase of 7,068 in FY-89.

4. Permanent Change of Station Moves (PCS)

The Navy PCS Program will require $540,910,000 for FY-89, a net increase of about $20 million from the funding level currently planned for FY-88.

The cost variance is principally related to inflation factors and industrial funded service increases, as provided by

OSD. Page 76 of the MPN budget request provides details on cost increases and decreases.

Chart D on page x shows planned moves and average costs by travel category across the years. Navy's goal for fleet readiness is to man installations and ships with qualified personnel. Accession, separation, training and organized unit moves are mandatory when required to attain force levels and to provide training for that goal.

The operational and rotational move programs are the only areas in the PCS program which are susceptible to changes in move requirements. These moves represent only 25% of the total moves made by Navy personnel.

Because of efficiencies and tour length adjustments taken previously, there are no actions left that can be addressed to restrict these moves without upsetting efforts to maintain skill and grade balances to support the required career force. While the Navy continues to make every effort to minimize move requirements, adequate PCS funding is absolutely essential to recruit, train, develop, and retain the best fighting force possible.

PERMANENT CHANGE OF STATION MOVES AND AVERAGE COSTS BY TRAVEL CATEGORY

	FY-87 ACTUAL		FY-88 ESTIMATE		FY-89 ESTIMATE	
CATEGORY	MOVES	AVERAGE COSTS	MOVES	COSTS	MOVES	COSTS
ACCESSIONS	100,054	667.26	99,703	675.90	95,757	693.08
SEPARATIONS	85,614	854.57	88,131	859.48	88,945	898.23
TRAINING	35,338	1,677.09	34,012	1,679.03	31,019	1,758.70
OPERATIONAL	42,943	2,589.13	43,303	2,550.93	41,628	2,754.16
ROTATIONAL	34,166	5,372.24	35,198	5,350.76	34,889	5,726.30
UNIT MOVES	6,576	3,752.43	8,238	2,970.75	8,835	3,187.55
TOTAL MOVES	304,691		308,585		301,073	
COMPOSITE AVERAGE COSTS		1,702.05		1,696.50		1,804.91

CHART D

PREPARED STATEMENT OF LT. GEN. JOHN I. HUDSON
DEPUTY CHIEF OF STAFF FOR MANPOWER
HEADQUARTERS, U.S. MARINE CORPS

Mr. Chairman, distinguished members of the subcommittee:

It is an honor for me to appear before you to address the Marine Corps' manpower readiness, our needs for Fiscal Year 1989, and our prospects for the future.

The Marine Corps' participation in the national strategy has Marine Air-Ground Task Forces deployed around the globe, able to respond to crises that could jeopardize our Nation's vital interests. To carry out this mission, manpower readiness and the well-being of our Marines are immutable. Smart, well trained and well cared-for Marines are essential. Over the past several years, we have developed a manpower program, conservatively designed to support the introduction of new weapons systems and units essential to force modernization. Today's high level of Marine Corps manpower readiness is a clear indication you have made a sound investment. However, given the fiscal uncertainty of tomorrow, it is our mutual challenge not to undermine this quality force.

Unfortunately, I must say at the outset, that to meet the Congressional reductions to this year's budget, the Marine Corps has had to reduce its end strength to 197,224, or 2,376 less than the 199,600 authorized for Fiscal Year 1988. Additionally, we have amended our request for end strength in Fiscal Year 1989 to 197,200, or 2,900 less than the 200,100 requested last year.

I would like to use these end strength figures as a point of departure for my comments on Marine Corps' manpower. These end strength reductions were driven by the need to preserve our quality force with a balanced manpower program. I will discuss how the Marine Corps plans, with your help, to maintain the personnel readiness necessary for mission accomplishment, to retain the ability to properly care for our Marines, and to ensure that we maintain a quality force.

TOTAL FORCE

Active Force Requirements

Marine Corps missions and responsibilities span the entire spectrum of conflict, and we plan for and manage our manpower assets accordingly. We stress sound force planning and fiscal responsibility and continuously define and refine an integrated plan with our Reserve component. Wherever possible, civilian employees and contractors free our Marines to concentrate on their warfighting mission. The fiscal realities of today, and the end strength reductions we have been forced to make, dictate that we be even more versatile in total force integration to ensure that we can accomplish all our objectives. To this end, we are conducting an internal review of our total force structure. This study will determine the optimum active force structure which can be properly manned for rapid response to conflict in the low to mid-intensity range without dependence on any Reserve mobilization. This force must also be prepared to transition to war at the high end of the spectrum. This study will produce a Fleet Marine Force structure that can be maintained at a high state of personnel readiness with today's end strength.

Enlisted Marines

Since Fiscal Year 1981, the quality of our enlisted force has risen dramatically. Largely due to the strong support of Congress, our enlisted Marine of today is smarter, more mature, and more responsible than at any time since the inception of the "All Volunteer Force". Figure 1 depicts the level of quality which we enjoy today.

The objective quality indicators are striking. Our emphasis on recruiting high school graduates is paying dividends; graduates honor their commitment to the Marine Corps. They display better discipline and complete their terms of enlistment. Unauthorized absence and desertion rates are significantly lower, which means that a higher percentage of our Marines are in their units training and preparing themselves for combat.

QUALITY REVIEW

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
HSDG ACCESSED (%)	77.8	80.1	85.0	91.7	95.4	96.8	97.5	98.1
Education (% HSDG & above; Total Enlisted Force)	85.2	86.6	87.8	94.1	96.5	97.9	98.4	98.7
Mental Group I-IIIA Accessed (%)	59.0	57.1	60.5	61.6	60.7	55.1	65.2	67.6

Unauthorized Absence: Decreased by 66% since FY80
Desertion: Decreased by 68% since FY80

FIGURE 1

We are aware of the need to justify quality enlistment standards. To this end, the Marine Corps representation on the Joint-Service Job Performance Measurement (JPM) Project supports the Congressional direction to link job performance to unit readiness by developing and administering hands-on job performance tests.

Currently, the Marine Corps has tested and collected data on the infantry occupational field. Analysis of the infantry data along with planning for the test development of additional occupational fields has begun. Following the hands-on test development and data collection phase, less expensive surrogate measures will be identified and applied to all remaining occupational fields. With this information, the Marine Corps will be able to establish a link between enlistment criteria and job performance which will provide the precision necessary to determine accession quality requirements.

It is obvious that good Marines are easier to train. Our emphasis on recruiting predominantly from the upper three mental categories equates directly to less academic attrition. This trend, coupled with our success in increasing the average term of enlistment to 4.5 years, means we're keeping higher quality, better trained Marines for longer periods of time. This produces stability in our enlisted force, and protects our substantial training investment.

To capitalize on this potential, and to ensure that our Marines are the best fighters in the world, our training is going to sharpen the focus on basics with particular emphasis on warfighting skills. "Basic Warrior Training," designed to develop the combat skills of all Marines, will be incorporated into recruit training. Follow-on combat training, designed to polish individual warrior skills, is also planned at the School of Infantry. While the exact length of instruction has not been determined, the focus will be on operating and maintaining crew served weapons, and functioning as part of a small combat unit under realistic field conditions.

We intend to improve our training and readiness by level loading non-prior service accessions throughout the year. Level load has been our policy since FY 1984, but we have not always received sufficent funds to fully execute it. We have recommitted ourselves to this policy and hope funds will be available in the future to permit us to practice this very efficient method of accessing recruits. Spreading recruit input evenly throughout the year will create a more even training flow and improve our ability to efficiently plan for and utilize training assets. By having recruit and follow-on training relatively level during the year, Marines will not spend time queing up for school seats and will join Fleet Marine Force units evenly. Personnel readiness in Fleet Marine Force units is maximized under this concept, and dips in readiness are avoided.

We have also implemented an enlisted grade structure which seeks to ensure that all enlisted Marines will have equal promotional opportunity through 20 years of service. We have the leanest grade structure of any service. The percentage of Marines in the top 5 enlisted grades has remained at approximately 31 percent of our grade structure since Fiscal Year 1982 while all other services exceed 40 percent. We are trying to modestly grow our grade structure to allow us to staff validated billets at the appropriate grade and experience level.

Our force management policies have improved the quality and readiness of our force. However, we need certain tools to continue to shape our force and to retain the quality which is so critical to our mission.

The Enlistment Bonus Program is used to attract high quality individuals for training and duty in technical skills, and into fields that do not normally attract individuals of comparable quality. An evaluation of the program has shown that not only do we get better quality Marines into these targeted skills, we are also enjoying better retention.

The Selective Reenlistment Bonus Program (SRBP) is our most effective means of reducing critical skill shortages which occur each year because of inventory and requirement changes. This program is very cost effective when one considers the expense of replacing experienced Marines with new recruits. We appreciate the five year extension of the Bonus Programs.

Officers

The Marine Corps has always taken pride in its officer leadership. This heritage and its traditions date to the founding of the Corps. The attributes of a Marine leader, summarized by Major General John A. Lejeune, stand the test of time -- the contagion of example, command presence, resolution and tenacity, ability to teach and speak, loyalty downward, encouragement of subordinates, professional competence, education, physical readiness, the spirit of "can-do" and "make-do," adaptability, and devotion to the Marine Corps and its traditions.

The Marine Corps is a manpower intensive organization with a traditionally low leader to led ratio which is a reflection of our philosophy on officers and their use. There are few legal provisions requiring that a billet be filled by an officer. Some billets have been made officer billets by reason of education; others are directed by higher authority. The primary criterion of officer billet designation has been the required degree of leadership and level of supervision.

As my predecessor reported to you last year, our manpower requirements determination process is valid. This is supported by the fact that the Department of Defense, as part of the one percent officer reduction for Fiscal Year 1988, gave the Marine Corps back 122 of the 308 officers it had been reduced in Fiscal Year 1987. This allows us to reinstate a full complement of officers to Professional Military Education while enhancing Fleet Marine Force readiness.

What concerns me, however, is the possibility that a two percent officer reduction will occur in both Fiscal Years 1989 and 1990 unless legislation is changed. This roller coaster management of our officer corps is damaging from both a combat readiness and an inventory management perspective; it lessens our combat capability now, and in the future, and there is no way I can adequately describe the hardships caused to affected individuals and their families.

If the Marine Corps has to absorb its share of the remaining four percent officer reductions, our ability to man joint and external billets will decrease, which is contrary to the intent of Title IV of the 1986 DOD Reorganization Act. We will also have to take deep cuts in the Fleet Marine Forces, which will result in inadequate force levels and jeopardize our ability to fulfill our mission in support of National Strategy. We will have many empty seats in service schools which will have a very long term affect on the professionalism of our officer corps and hence our readiness.

Should further officer reductions be required, legislative relief from existing laws will be required to ensure that these reductions are equitably distributed throughout the grade structure. The Marine Corps supports the legislative change package being proposed by DOD.

The Marine Corps is continuing to press ahead with the implementation of the various Joint Officer Personnel Management provisions of Title IV of the Reorganization Act. We are currently screening officer records to identify those officers who are eligible for nomination as Joint Specialty Officers. The records of these officers will be reviewed by a board of general officers, and the initial list of nominees for the joint specialty will be forwarded to the Secretary of the Navy. Concurrently, we are participating in the DoD-wide effort to ensure coherence between the capabilities of the Joint Professional Military Education System and the requirements levied on that system by the provisions of Title IV.

Concerns about a variety of issues, including the mandated tour lengths and the adequacy of the transition provisions remain. We are convinced, however, that aggressive implementation will confirm the need for meaningful legislative changes.

Women Marines

The Commandant of the Marine Corps, in October 1987 convened a Task Force to study the progress of women in the Marine Corps in response to a request from the Secretary of the Navy. The Task Force looked into five areas; historical and statistical review; sexual harassment and fraternization; quality of life; accession, training, classification, assignment, promotion, and retention; and policy implementation and utilization. The recommendations are summarized as follows:

Sexual harassment is an anathema to good leadership. The Task Force confirmed that it does exist in the Corps and our Commandant has taken quick action to eradicate it from our ranks.

Concerning fraternization, the Marine Corps has a long standing policy which is intended to preserve the separation of juniors and seniors, a proven characteristic of successful military organizations for hundreds of years. The Task Force noted, "The system is currently working well and does not need any further emphasis."

Of great concern is the need to reemphasize request mast, which is our guarantee of every Marine's right to an audience with his or her Commanding Officer. The Commandant has already published a letter on this issue stressing to our leadership at all levels the necessity of allowing this traditional grievance procedure to function as it was originally intended, to include women seeking redress in cases of sexual harassment.

The quality of life issues addressed ranged from improved OB/GYN care to child development centers and dual career families. The "remedies" to these problems include continued positive influence and interest to improve on what is being done for individuals and families as opposed to any radical change in our present course of action.

Many sound recommendations were received on accession, training, promotion, and retention standards. Accession and active duty weight standards, for example, will be reexamined and realigned, as necessary. We will review separately, the physical fitness testing standards of men and women, but we will not have the same standards for both sexes.

The recommendations concerning policy, implementation, and utilization were perhaps the most sweeping and far reaching. In general, the Task Force found our policies to be valid; however, the biggest obstacle to their full implementation was attitude. In other words, our policies are sound, but our actions in carrying them out were in some instances impeded by attitude. Therefore, the Task Force recommended that the Commandant stress the significance and importance of a positive attitude by Commanders toward women. Having said that, however, changes to the Marine Corps order on the classification, assignment, and deployment of women were also recommended. Direct combat action will be the principle criterion to guide our policy review; but physical risk which is very closely associated with the combat standard must also be considered. We assign women to the Marine Security Guard Battalion to serve in the occupational specialties for which they have been trained. A woman trained as a Supply Administration and Operations Clerk or an Administration Chief could be assigned to either the battalion or company headquarters. We presently have women serving at the Marine Security Guard Battalion headquarters in Quantico and with one of its company headquarters in Frankfurt, Germany. Planning is underway to assign women as guards within the Marine Security Guard Program and at certain embassies and consulates. We are approaching this task carefully to ensure the rationale for numbers and locations is solid.

Our Commandant is totally committed, and has said so on many occasions, to the full utilization of women in the Corps within the context of our role as an expeditionary Force-in-Readiness. In General Gray's words, "Our women are Marines and will be treated as are all Marines---with the decency, dignity, and respect they richly deserve."

MARINE CORPS RESERVE AND MOBILIZATION

The active forces of our Corps are ready to respond to crisis at any time. If the call should come tonight, our Marines will answer at once. However, the Marine Corps Reserve is the underlying foundation for sustainment upon mobilization and provides the means to rapidly expand the Corps during a national emergency. The Reserve provides a valuable added dimension within the "Total Force" policy.

During a national emergency, we will augment and reinforce the three active Marine Expeditionary Forces with Selected Marine

Corps Reserve (SMCR) units which are part of the Ready Reserve. Our active and Reserve units frequently participate in training exercises to ensure we can accomplish this task in a timely and effective fashion. The other part of the Ready Reserve which is our primary source of pre-trained individuals to meet wartime augmentation requirements consists of Marines fulfilling their military service obligation as members of the Individual Ready Reserve (IRR). The Reserve structure provides as much as 33 percent of the total Marine Corps wartime manpower requirement. Additionally, we rely on support from our retirees to perform essential base and station functions which support combat forces and their families in the event of mobilization.

To be an effective fighting force during a national emergency, we must have sufficient medical support, both in-theater and in the Continental United States (CONUS).

Properly trained medical personnel and deployable medical support systems are needed immediately upon the outbreak of hostilities to treat wounded Marines and Sailors in the theater of operations. The Navy's Medical Personnel Unit Augmentation System (MPUAS) is a forceful move to ensure that the proper level of medical personnel readiness for critical wartime specialties and other requirements are provided.

There are two areas of major concern, however, which have been dramatically highlighted during recent mobilization exercises. Both center around a lack of sufficient medical manpower and skills within the Navy Selected Reserve to meet the dual requirements of backfilling CONUS Medical Treatment Facilities (to replace active duty who have mobilized under the MPUAS) and to deploy during mobilization. These two problem areas have a direct impact on the Marine Corps' ability to mobilize and the Navy's ability to provide the proper care in CONUS Medical Treatment Facilities.

Projected medical support through Fiscal Year 1992 for the active force is 78 percent manning for officers and 83 percent manning for enlisted personnel. Additionally, the shortage of personnel with critical wartime medical skills continues to be a major problem for all Services. Recruiting efforts continue to strive toward reducing the gap between the wartime requirement an the inventory. Your support of DOD initiatives to improve medical readiness for mobilization is crucial.

PERMANENT CHANGE OF STATION

An adequate Permanent Change of Station (PCS) Program is essential for overall force readiness. In addition to recruiting and training Marines, we must be able to move them to where they are needed.

Today, about 60 percent of our annual moves support Marines entering or leaving the service, with the remainder sustaining our worldwide commitments. About 22 percent of our force serves outside CONUS in forward-deployed units of the Fleet Marine Force, or in a wide-range of other assignments, including embassy duty and naval security forces.

Of the Marines stationed overseas, 21,467 are forward deployed on Japan. We maintain the force levels in Japan by using a combination of three methods to exploit the relative advantages of each.

First, unit deployment is used to provide operating forces up to the battalion/squadron level. The advantages of unit deployment include stabilizing Marines in the same unit for extended periods, avoiding the frequent moves and costs associated with one year dependents-restricted tours, and avoiding the significant costs of supporting large numbers of Marine dependents overseas.

Second, accompanied tours are used to provide for long term continuity in those planning, support, or maintenance billets where stability (in the location) is essential to readiness. Third, dependents-restricted tours are only used to fill requirements in cases where the CONUS sustaining base will not support using unit deployment, and facilities limitations preclude accompanied tours.

By judiciously using these three methods, we have minimized the costs of meeting our overseas commitments while maximizing the readiness of our forward deployed units. By Fiscal Year 1989, we will have eliminated 13,263 dependents-restricted overseas tours and saved 23,261 PCS moves annually.

This commitment to reducing costs while enhancing operational readiness is the foundation of our overall PCS program. Figure 2 shows the tremendous strides we have taken to reduce the number of annual PCS moves since 1978. The figure also shows the impact of increased entitlements, higher dependency, inflation, and other increased costs which have caused the overall cost of the PCS program to rise in spite of the significant reductions in numbers of moves.

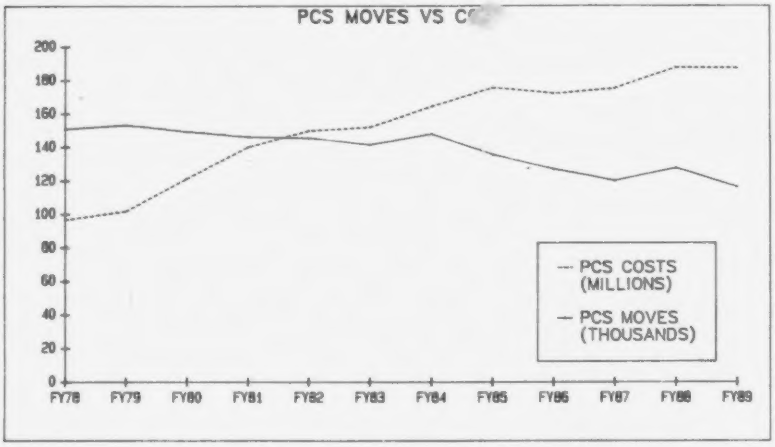


FIGURE 2

We are continuing our efforts to constrain PCS costs, and are actively pursuing several avenues to better manage the PCS program. We are participating with the Department of Defense in developing a PCS Management Information System. This system should improve the accountability of PCS programs and identify potential areas for further savings.

QUALITY OF LIFE

As I indicated in my opening remarks, manpower readiness and the well-being of our Marines are inseparable. The Marine Corps' high state of manpower readiness can be directly related to its long tradition of caring for its own. For our young married Marines to be ready to go off to war at any time, they must have the peace of mind of knowing that their families will have the support they require. The term quality of life is a popular way to express all of those factors that contribute to a quality work and living environment for our Marines and their families. Quality of life programs enhance morale, help retain Marines, and lead to increased personnel and operational readiness.

Family Programs

Our family programs continue to offer services to our Marines and their families which are essential to their well-being. We continue to improve the quality of our support in relocation assistance, personal and financial counseling, job search information and referral, pre/post deployment briefings, family enrichment and wellness programs.

Our Employment Resource Centers increased by 50 percent the number of spouses, separatees, and retirees who were helped in finding employment. We have taken a revolutionary step in child care. Child care is no longer operated solely as a recreational activity; we are placing greater emphasis on child development.

We believe that the effort and resources put into family programs will greatly enhance family stability and well-being. The indirect result is that our Marines can concentrate on refining their war-fighting skills.

Morale, Welfare and Recreation (MWR)

The effectiveness of our MWR programs is key to the well-being of our total Marines Corps family. We are continuously looking for new ways to enhance the support which is provided to our Marines, while still complying with Congressional direction to reduce appropriated fund support to MWR activities. We have also taken an innovative step in this regard. The Marine Corps is consolidating the exchange, recreation, and club programs under one management and funding roof. We are convinced that this consolidation will create a more responsive and efficient MWR program. Nevertheless, substantial fee increases throughout the MWR programs are required to offset the loss of appropriated fund support. In some cases even fee increases will be insufficient and activities will close.

We appreciate Congressional understanding of the difficulties of completely withdrawing appropriated funds from certain facets of the MWR programs. Specifically, we appreciate the grandfathering of appropriated fund civilian employees paid by appropriated funds prior to 1 January 1987 and the use of appropriated funds to support nonappropriated activities in remote and rural areas.

Medical Care

Adequate medical and dental services for our Marines and their dependents are essential. While we are focused on our ability to ensure medical support during war, we have not lost sight of our responsibility to provide the highest quality care to Marines and their families during peacetime. The establishment of NAVCARE clinics and use of contract medical personnel have done much to meet our peacetime healthcare demand. However, and most importantly, it must be borne in mind that contract medical personnel don't go to war. Furthermore, appropriations for contract renewals fluctuate from year to year. Active duty medical personnel growth is the only sure way to provide stable, long-term medical support to our Marines. We cannot waiver in our support for quality medical care if we are to continue to reassure Marines and their families that we will take care of them, during peace or war. The continued support of Congress is vitally important in this area.

RECRUITING

The very hard work of our recruiters causes us to continue to be successful in drawing quality applicants to both officer and enlisted programs. The overall quality of our officer program applicants has never been higher. There are more applicants than we can accept in all categories such as women, minorities, Platoon Leaders Class, Officer Candidates Class, and Naval Reserve Officer Training Corps. The qualifications of our young officers allow us greater flexibility in matching the best qualified officers to the right skills.

In enlisted recruiting, Fiscal Year 1987 was another quality year. Of the 43,142 total force accessions, 99.8 percent of non-prior service males were Mental Group I-III, and 98 percent were high school graduates. We have maintained our momentum into Fiscal Year 1988 and began the year with 63.5 percent of our total force non-prior service requirement quota in the delayed entry pool.

Our quality goals have remained the same, even though the number of recruit-age youth is decreasing, and Congressional action reduced our recruiting funds. This reduction translates directly into reduced capabilities in areas such as vehicle mileage, communication support, data processing, and other day to day direct support to our recruiters.

As we indicated last year, we fully support the Montgomery GI Bill. We also support the proposed amendment providing for a payment to the survivors of certain Montgomery GI Bill participants who die while serving on active duty.

The Montgomery GI Bill has significantly enhanced our efforts in the Reserve component as well. We estimate that 80 percent of the Montgomery GI Bill participants will complete their 6 year drilling contract. Without the Montgomery GI Bill, our experience shows that we would have only retained 20 percent for the entire 6 years. These improvements enabled the Marine Corps Reserve to reduce its turnover rate by 3 percentage points in Fiscal Year 1987.

COMPENSATION

As an institution, the Marine Corps has a moral obligation to take care of its own. Critical to this responsibility is the need to ensure that our young men and women, who are asked to make demanding personal sacrifices, are paid in a manner they perceive to be fair and equitable. We presently enjoy the highest quality force in the history of our Corps. We are, however, in constant competition with the civilian community to attract and maintain that quality. This competition is growing more acute as we face a declining youth population from which to draw. If we are to continue to be competitive, pay must be set and maintained at a level comparable to the private sector. The 2 percent pay raise this past year did not keep up with the rate of inflation; and, for the sixth consecutive year, was less than the wage growth of the private sector. As compared to the Employment Cost Index, the comparability gap between military and civilian pay has grown to 11 percent, the largest since the beginning of the All-Volunteer Force. We strongly urge passage of the proposed FY 1989 pay raise of 4.3 percent which would partially offset this shortfall.

Another compensation area of particular concern is the widening disparity between military housing allowances and actual housing costs. Rejection of the requested 3.4 percent VHA increase in FY 1988 has held VHA at 1986 levels despite housing cost increases of 8.5 percent over the last three years. To minimize the impact of this action, DoD was forced to reduce VHA rates in some areas to support increased rates in others. This resulted in some Marines having their total compensation reduced despite the January pay raise. I am sure that this was not your intent, since it is contrary to your previous support in areas of compensation. I urge you to redress this situation in FY 1989.

CONCLUSION

The high level of Marine Corps manpower readiness today is a result of long-term planning, aggressive recruiting, efficient force management, and vital Congressional backing. As we move into these years of fiscal uncertainty, we must mutually ensure that the readiness and quality in which we have invested do not erode. Thank you.

STATEMENT OF LT. GEN. THOMAS J. HICKEY, DEPUTY CHIEF OF STAFF, PERSONNEL, U.S. AIR FORCE AND MAJ. GEN. LARRY D. DILLINGHAM, ASSISTANT DEPUTY CHIEF OF STAFF, PERSONNEL, U.S. AIR FORCE

Mr. Chairman and members of the committee, I am pleased to have the opportunity once again to appear before you to present our most critical Air Force manpower and personnel issues for the coming year. Your past support is deeply appreciated. I must caution, though, that without your continued help we will be unable to sustain the significant quality and readiness improvements we have made in our military force and its personnel.

Air Force people, both military and civilian, are the foundation of our warfighting capability. They must remain our number one priority. The personnel and force structure that ensures our national security is a Total Force of active, civilian, reserve components, and retirees who are subject to recall to active duty. Accomplishing our mission in the Air Force is directly correlated to recruiting and retaining highly qualified, well-trained and experienced professionals.

The Air Force continues to look for better ways to meet our people's and their families' needs without sacrificing mission capability. While continuing that effort, we realize the demands and hardships of military life are significant and young people today may not totally understand the sacrifices they will have to make. Their decision to stay in the Air Force will be influenced by the realization that significant sacrifices are required in the areas of family separation, pay, living conditions, geographic stability and dangers associated with military operations. We must ensure our people have realistic expectations of what their future has in store for them. Many of those expectations depend on each member's perception of the security an Air Force career offers.

The recent manpower cuts and our people's emerging uncertainty about their future compensation and job security will significantly influence whether we can recruit and retain the high quality people we need to do our job. Let me cite several specific factors that are, today, causing our people to think twice about the advantages and disadvantages of service in the Air Force.

Since military pay comparability was last achieved in 1982, military pay raises have been capped for six consecutive years and the pay gap has reached 11 percent. During the same period, many fundamental institutional programs have been threatened or modified. Though current military members were grandfathered, the military retirement system was cut 16 percent. Many morale, welfare, and recreation costs were increased significantly due to reduced funding. Antiquated household goods weight allowances remain in need of revision. The Variable Housing Allowance program has been capped for two successive years, and there is a growing and understandable concern about the future stability of the commissary system and medical benefits.

Further, since 1981 the value of Aviation Career Incentive Pay has decreased almost 30%. Current projections show the Air Force will be 2,499 pilots short of requirements by FY 1993. That is the equivalent loss of over ten flying wings of pilots. We simply cannot tolerate such losses. A coordinated retention effort between the Air Force, DOD, and Congress is necessary to insure that such losses do not occur.

In addition to compensation concerns, our personnel are also concerned about job security. Recent and continued non-programmatic end strength cuts cause reductions in end strength without reductions in force structure mission requirements and workload. Although we have taken the reductions to date without involuntary measures, we will not be able to absorb continued end strength reductions without more drastic measures.

We want to continue to work with the Congress to prudently implement the actions necessary to retain a potent, combat ready force in this austere budget environment. The Air Force needs your support to provide the programs and funding needed for our most important resource, our people.

II. STRUCTURING THE FORCE

Military Manpower Adjustments: Last year the Air Force reduced 8,150 manpower authorizations. Congress approved this lower end strength but Congressional dollar reductions would not support even this lower manning level. Those funding cuts forced an additional 23,100 military manpower reductions. Thus, the Air Force reduced a total of more than 31,250 military manpower authorizations in FY 1988 resulting in a total end strength of 575,603. Virtually the same end strength level is requested in FY 1989; 575,600. The end strength level for FY 1988 and FY 1989 represents the funded level, not the required level. Again, the end strength for FY 1989 is 23,100 less than what Congress authorized in FY 1988 and is the largest one year reduction since the post South East Asia drawdown in 1973. It leaves the Air Force only slightly larger than it was in FY 1981.

Officer Strength Reduction: The FY 1987 Authorization Bill directed a 6% reduction from the FY 1986 DOD officer strength by FY 1989. The Air Force FY 1987 share (1,255 or 1,653 with programmed growth), was managed through limiting accessions, increased voluntary separations and limited involuntary separations (a closer look at quality and a reduced continuation program). The FY 1988 Authorization Bill language allowed for the FY 1988 reduction to be 1% and spread the remainder through FY 1990. However, the Air Force share for FY 1988 was 2,255 (total 3.2% Air Force reduction for FY 1987/1988 compared to 2% DOD). Implementing reductions of this magnitude will cause long term impacts on mission capability, morale and retention that will be difficult to predict and offset. For FY 1988, we plan to continue the combined actions of reduced accessions, voluntary programs, and limited involuntary separations and retirements. For example, the Air Force is not using its authority to continue captains who twice fail promotion to major and retirement eligible majors who have twice failed promotion to lieutenant colonel (exception being highest quality pilots). Though we do not expect to reduce in force or selectively early retire officers to meet the FY 1988 reduction, we may have to, to meet FY 1989/1990 reductions. Any unprogrammatic reductions are harmful, no matter how the Service elects to take the losses. However, the Air Force approach minimizes impact on Service members who have served long and faithfully and is in the best long term interest of the force. Finally, we are nearing completion of an Air Force-wide review of all career areas for conversion potential and believe that some officer to civilian conversions can be made given adequate lead time and civilian funding.

Officer Accessions: The Air Force uses AFROTC scholarships to attract the best quality officer candidates with hard-to-fill skills--primarily those with engineering and other scientific or technical academic majors. As officer authorizations decline, the need for scholarships also declines. We lowered the overall number of scholarships from a high of 7,500 in FY 1986 to 6,200 in FY 1987, and budget constraints drove even further cuts in FY 1988 and FY 1989.

Lower officer end strength does not require AFROTC production of more than 3,300 new lieutenants as were produced from FY 1982 through FY 1986. Last year we identified three units for closure in the interest of efficiency and asked AFROTC to study its unit organization to recommend the most efficient structure for producing the numbers and types of officers we will need in the 1990s. That study is complete and the planned unit closeres and consolidations have been announced.

Officer Training School (OTS) is another of the Air Force's commissioning sources for high quality officers. Over the last ten years (FY 1977-1986), OTS produced an average of approximately 2,800 new officers each year. In FY 1988 we anticipate bringing in only about 900 new officers through OTS, and we will be forced to maintain this low level should the officer reduction continue into the outyears.

Enlisted Promotions: The FY 1988 promotion selection rates to staff sergeant, technical sergeant, master sergeant, senior master sergeant, and chief master sergeant are at the lowest levels of any year in the last ten years. The outlook for FY 1989 is equally bleak. This resulted in part from our FY 1988 Military Personnel Appropriations (MPA) being based on enlisted grade caps at the proportions existing in FY 1986--the top five grades equalled about 46% of the authorized enlisted strength. Underfunding as a result of budget reductions in the MPA account reduced the total number of people we could pay. We reduced the force size by curtailing new accessions, increasing quality screening on reenlistments, encouraging more voluntary separations and implementing a date of separation rollback of losses from the last half of FY 1988 and the first half of FY 1989. While these actions reduced the total force size, they also resulted in a larger percentage of the force being in the career force and top five grades. We fully recognize the need to control the career force size and the number of NCOs. Consequently, we have reduced the number in the top five grades from about 228,000 in FY 1987 to about 226,000 in FY 1988 and to about 224,000 in FY 1989. Any further attempt to cap NCO grades to an arbitrary percentage of the force, would not only be capricious, but would adversely impact the career force at a time when these highly trained individuals are critically needed to manage the force drawdown. More importantly we would not have the experienced cadre of career NCOs needed to carry out the peacetime mission or to train new accessions in time of rapid mobilization and force growth. We must maintain a reasonable promotion selection opportunity if we are to retain a qualified and motivated enlisted force.

Civilian Manpower: The programmed civilian end strength for FY 1989 is 263,756. This is a reduction of 1,361 from last year's authorized level. Major reasons for this reduction can be attributed to logistics modernization system savings, adjustments in the SICBM program, and reduced communications capability.

Civilian Pay: We believe that both military and civilian compensation should be competitive with the private sector. Unfortunately, that gap continues to widen for both forces. In view of the nearly 24 percent gap between civilian and private sector pay, we urge the Congress to fully support and fund the President's request for a two percent increase for civilian employees.

Shortfalls in civilian pay funding in FY 1988 led to a request for furlough authority of up to ten days in one major command - Air Force Logistics Command - early this year. The AFLC predicament was driven by severely reduced dollars and lack of budgetary flexibility, and other commands are in similar shape. The problem started with a significant reduction in the operations and maintenance account for FY 1988. The final allocation of funds for FY 1988 was insufficient to meet all of our O&M requirements, especially civilian pay. The request for furlough authority was made only as a "last resort." AFLC and other commands scrubbed accounts for potential savings consistent with mission requirements and managed to reduce initial civilian pay shortfalls by 75%. However, despite these extraordinary management actions - including early retirements, hiring freezes, reduced overtime, separation of temporaries and on-calls, and maximum reprogramming, the financial situation has dictated this action in AFLC. Other commands may be forced to follow suit.

There is no substitute for the tough choices that must be made by and little relief from the intense demands placed on our commands to employ all aerospace forces effectively. Given the level and timing of FY 1988 funding, further severe actions by major commands cannot be ruled out in FY 1988. We believe that the President's request for operations and maintenance funding in FY 1989 will require continued constraint in the management of the Total Force, but the request should avert the most severe civilian personnel actions. In sum, the AFLC situation highlights the necessity not only for supporting the President's budget request, but for providing the flexibility to manage our budget in order to ensure that we have a competitive personnel system.

Civilian Force Initiatives: Managing human resources to budget is a key strategy in meeting our mission. The Air Force is pursuing several civilian personnel initiatives to ensure the attainment of those goals. This year the Air Force begins a two-year experiment at Edwards AFB to manage its civilian personnel at the lowest organizational level strictly according to budgetary constraints. During the test, Edwards Air Force Base managers will be allocated a civilian pay budget, and will manage to that budget in making civilian employment and position management decisions. Software, known as CIVCOST, allows managers to track expenses, make workforce projections, and see the effect of various personnel decisions on their budgets. This test is part of the Air Force's strategic plan for civilian personnel management.

This approach to responsible budgeting is contingent upon continued exemption from any requirement to manage civilian employment by end strength. Given the positive record over the last three years of "living within our means," we strongly urge the Congress to enact legislation to permanently prohibit the use of end strengths to manage civilian personnel.

The Air Force began a 5-year budget-neutral test of a new personnel/productivity system for 2,000 blue and white collar employees at McClellan Air Force Base in California. Interest and support by members of Congress was most appreciated. In an effort to test new means of more rapidly expanding and contracting the force within a budget, the pilot project, known as PACER Share, proposes a so-called "on-call" work force. When budget, workload, or skills imbalances require expansion or contraction of the force, management may release or recall on-call employees as conditions warrant. The procedures are less costly and simpler than regular reduction-in-force procedures and afford some measure of protection to the majority of workers.

The Air Force is also working on an initiative to enhance our ability to expand and contract the force with respect to ROTC graduates. This proposal would allow a Service to require civilian service or repayment of educational expenses where active duty service was not possible or needed. Such a decision would require the concurrence of the Department and the cadet. The initiative would serve as a safety valve for surges in the number of cadets. While cadet accessions are controlled, the planning lead time cannot always account for all external contingencies, such as reductions in officer end strength. In addition, this proposal would preserve the taxpayer's investment in ROTC graduates, particularly scholarship cadets.

These are but several of the ways in which the Air Force seeks more innovative means to live within our budget while retaining the flexibility to manage the work force as the mission requires. We would hope our success in the United States and our initiatives in managing to budget would persuade the Congress to reconsider its requirement for an overseas workyear ceiling.

Alternative Personnel System: The ability of the Air Force to attract and retain talent is expected to be challenged in the 1990s by an increasingly competitive environment. An aging working population and a shrinking youth population will sharpen already keen competition for individuals who can support our reliance on sophisticated technology. Projected DOD civilian requirements will be concentrated in the same occupations as the private sector. The new, more portable civilian retirement system may cause further turbulence.

Of some 170,000 white collar civilians, separations have increased from 9,600 in FY 1983 to over 11,400 in FY 1986 (not counting engineers). For engineers, losses increased 21 percent from FY 1983 to FY 1986. For acquisition professionals, losses for FY 1983 were 359 compared to 549 in FY 1986. Clerical turnover has been especially high, over 23 percent, even with special pay rates.

In this period of constrained budgets, we see a need to increase the flexibilities within the current personnel system to recruit and retain a quality work force. As stated in testimony before Congress in 1987, the Air Force believes consideration should be given to the Civil Service Simplification Act (CSSA) of 1987, legislation submitted by the Office of Personnel Management, which would provide more flexibility in adjusting pay, assigning work and approving promotions. However, if the CSSA in its entirety is not possible, a more focused approach concentrating on the key features of simplified position classification and a more flexible compensation system would be acceptable. Indeed our Joint Logistics Commanders wrote to Secretary Aldridge on 23 September 1987 urging support for this legislation in order to permit the setting of more competitive pay rates for scientists, engineers, and clerical positions.

Productivity Initiatives: The Air Force continues to support the President's goal of increased productivity in the public sector. Our input to the DOD Productivity Improvement Plan now includes eight functions. Others will be included each year through 1992. Each of these functions is developing initiatives to improve their productivity 20 percent by 1992. The tools used to increase productivity, not only by these eight functions but the entire Air Force, include functional reviews, contract cost comparisons, productivity enhancing capital investments (PECI), and other functional area unique programs. Functional reviews have been a productivity enhancing tool since 1980 with over 100 major areas reviewed so far. Over 1,800 manpower authorizations were reprogrammed into other more critical areas as a result of these reviews. During FY 1989 we expect this program to continue promoting cost efficiency without degrading mission capability.

Contract cost comparisons also continue to generate significant savings. Each function studied under the provisions of OMB circular A-76 generates savings for the Air Force whether they remain in-house or go contract. Through this and other programs, the Air Force continues to place primary emphasis on enhancing operations through streamlined procedures and state-of-the-art equipment.

These efforts are complemented by an aggressive PECI Program, which has realized an average return on investment of 13 to 1 in terms of dollar savings and cost avoidance. To help reduce manpower growth, savings from these programs are realigned to other priority requirements. Examples of functional area unique programs designed to increase mission capability while reducing manpower costs are Rivet Workforce and Reliability and Maintainability 2000; both programs generate greater efficiencies at lower costs.

Personnel Concept III (PC-III): PC-III is a major automation effort using computer technology to improve commanders' access to personnel information, reduce reliance on paper forms, and improve worker productivity throughout the total force. PC-III is projected to save more than 1,500 manpower spaces which can be converted to direct combat support. Because of its productivity enhancement capabilities, PC-III has been designated as a Presidential Priority System--the only system so designated in the Department of Defense.

Contracting: Contracting, consistent with national defense requirements, is a workable, efficient, and essential means of accomplishing the Air Force workload. Since FY 1979, the Air

Force has reviewed over 800 activities for conversion to contract; over 11,500 manpower spaces have been freed as a result of converting to contract or streamlining in-house operations. The Air Force has over 13,000 spaces currently under consideration for contracting in over 300 activities. However, legislation prohibiting the contracting of certain activities is counter to our efforts. The Air Force supports a contracting program that gives the Secretary of Defense the authority to contract commercial activities without unnecessary restrictions.

Recruiting: The Air Force attained its Non-Prior Service (NPS) and Prior Service (PS) objectives for FY 1987. The Air Force measures NPS accession quality using a combination of High School Diploma Graduate (HSDG) rates, upper Armed Forces Qualification Test (AFQT) category (CAT I & II) and lowest (acceptable) AFQT category (CAT IV) scores from the Armed Services Vocational Aptitude Battery (ASVAB). In FY 1987, 99.0 percent of our NPS accessions were HSDGs and 48.5 percent were in the top two AFQT categories. Conversely, only 0.2 percent were CAT IVs. While these indicators compare favorably with recent fiscal years, recruiting will become more difficult. Of significant concern is the continued non-programmatic reductions to the Recruiting and Advertising budget. There is some question whether we can complete FY 1988 without reprogramming and there is a clear shortage of funding in the out-years. At the same time, Joint programs continue to grow at the expense of the individual Services, thus jeopardizing the actual recruiting process and removing our flexibility to respond to changes in programs. Even with advertising contract fixed costs that are less than half the industry standard, we cannot cover the option years of the advertising contract due to budget reductions. The loss of this contract will further reduce the purchasing power of the advertising dollar. A lower recruiting budget, the strong economy, declining unemployment, civilian competition and a declining youth cohort set the stage for loss of market and potential failure. In FY 1989 the Air Force needs to recruit over

50,000 enlisted members and over 2,700 officer candidates and health professionals. Of the enlisted accessions, approximately 1,000 must be fully qualified prior service applicants who possess critical skills. Over 62 percent of the officer requirements are in the critical and highly competitive health professions area which are very difficult and expensive to recruit. In addition, the requirement for ROTC four year scholarship and non-scholarship recruiting has been assumed by Recruiting Service without any additional resources. For FY 1989, this equates to 8,000 scholarship applicants and 15,000 non-scholarship referrals.

Enlisted Recruiting: The all-volunteer recruiting force has been and will continue to be the backbone of our recruiting success. The cost-effectiveness and productivity record of Air Force recruiters speaks for itself. Our cost per recruit is the lowest in DOD and recruiter productivity is far greater than the DOD average.

Officer Recruiting: The officer recruiting program supports line officer requirements for flight training (pilot and navigator), scientific, engineering, and a range of other skills necessary to sustain Air Force capabilities. The broad spectrum of Health Professionals, including physicians, nurses, etc., is also recruited under this program.

In FY 1987, we achieved 100 percent of our numeric goals for all programs. We did, however, fall short in the recruitment of highly specialized physicians and certain nurse specialties. The quality of our line officer accessions remained high.

The major challenge in our FY 1988 officer recruiting program will be continuing requirements for physician specialists and nurses. Our physician requirement will increase and remain limited to specific critically required skills. The nurse requirement will increase and remain high with the national nurse shortage impacting negatively on nurse recruitment. Both nurse and physician shortages affect our ability to treat combat casualties, as well as the overall health of our members and their families. Referring those who need specialized treatment to

CHAMPUS causes increased cost.

Retention: In 1979 a convergence of economic factors, successive military pay caps, and expanded civilian job opportunities drove many of our talented and experienced military people into the private sector. Fortunately, the retention climate improved in the early 1980s, and retention reached an all-time high in 1983. The lesson learned is that without adequate institutional support, retention can change quickly and dramatically in just a few years. Despite adequate overall retention today, shortages still exist, particularly in our high-tech skills. Competition for our well-trained people is strong and will remain keen throughout the century. Low retention means increased training and replacement costs. This is particularly important in our pilot force, since it now costs on average more than one million dollars to train USAF pilots. Because of the long-term implications for costs and combat capability, retention is a priority issue.

Officer Retention: Pilot, engineer, nonrated operations, and mission support retention rates declined in FY 1987. Pilot rates declined for the fourth year in a row to 48% Cumulative Continuation Rate (CCR) at end FY 1987 from a high of 78% in FY 1983. Engineer rates are down 18 percentage points from three years ago. Navigator rates, however, have remained strong over the last five years. The Air Force principal retention efforts are aimed at reversing the downward trend for pilots.

Reasons for increased pilot losses have been clearly identified through extensive surveys, conferences and personal interviews with both separating pilots and squadron commanders. Air Force pilots are increasingly opting to leave active duty because of dissatisfaction with military life, and because lucrative airline flying opportunities make the career transition much safer than in past years. Pilot dissatisfaction with Air Force life focuses on the assignments system, nonflying additional duties, family separation, geographic stability, pay, and the promotion system. Positive motivators for pilots include job satisfaction and the military retirement system.

We must protect the investment we have made in training our combat crew force by implementing an effective monetary incentive. To this end, the Air Force and Navy have jointly developed an Aviator Continuation Pay program for use by the Uniformed Services, at the discretion of the Service Secretary concerned. It is hopeful that this financial incentive program is enacted and the Air Force can implement it by 1 October 1988. This is a top priority for the Air Force.

Our pilots now have the option of leaving active duty for a career with the airlines that usually offers significantly higher pay and better benefits. The airline industry is projected to continue hiring in large numbers through the 1990's due to growth and large numbers of airline pilot retirements. Although we cannot compete directly with the airlines in the area of pay, we must provide a future that holds reasonable expectations for stable financial support and secure benefits.

Enlisted Retention: Excellent retention continues. Retention successes this decade are rebuilding experience levels and bringing about a significant shift in the enlisted force structure. In FY 1980, our first-term airmen comprised 52 percent of the enlisted force; at the end of FY 1987 that figure was 43 percent. Excellent retention and end strength limitations forced lower non prior service accession numbers and reduced the first-term airmen population. Larger year group populations moved into the career force as a result of good second-term airmen retention. As we move into a declining strength environment, most of our strength adjustments will be taken through reductions in the first-term population through reduced accession and early separations. Thus, the proportion of first-termers in the force will drop even further.

In the past, our challenge during periods of conflict and force expansion was to influence retention as much as possible.

Large numbers were brought in, served one term, and most separated. Now, first-termers are more inclined to enter the career force and career airmen are not retiring as early in their career. But without force expansion to accompany this increase in retention, factors such as diminished promotion opportunities, quality losses through early releases and the filling of lower grade manning positions with more senior members could be detrimental to career decisions. Managing retention, which includes many influencing factors both internal and external, presents a unique challenge. Growing demand from the private sector for educated, trained, and motivated young people could seriously challenge our ability to retain the best airmen, especially first-termers, in the coming years. While we could sustain losses for the short-term in our career force, any significant loss of our first-term airmen would affect future readiness. A strong selective reenlistment bonus program will help us target retention efforts to those skills where we face the stiffest competition. Other factors that will influence retention in FY 1989 are continued promotion slowdowns and reduced promotion opportunities, out-of-pocket PCS expenses, continued cuts to morale, welfare and recreation funding, and the widening pay gap.

Women in the Air Force: The Air Force has long been a leader in providing opportunities for women to serve their country, and we are proud of the fact the Air Force has the highest percentage of women in any of the Armed Services (12.6 percent as of 31 December 1987). Women may serve in all officer career fields, and all but four enlisted specialities (combat control, tactical air command and control, aerial gunner, and pararescue/recovery). While there are some specific jobs within otherwise open specialties or career fields which are closed to women due to the Air Force interpretation of the combat exclusion provision in Title 10, only 18,000 (16.5%) of the officer positions and 3,000 (less than 1%) of the enlisted positions (approximate) are closed to women. Overall, women may be assigned to 97% of the positions in the Air Force. The Air Force combat exclusion policy is in consonance with the DOD Task Force's new risk rule. That rule permits closure of noncombatant positions or units if their risks of exposure to direct combat, hostile fire, or capture are equal to or greater than the risk for land, air, or sea combat units with which they are associated in a theater of operations. The National Defense Authorization Act for FY 1987 removed the 19% mandatory female accessions objectives but left standing a 22% objective for FY 1989 pending our performance using a new methodology. This methodology allows the men/women mix to fluctuate with changes in the eligible/qualified/interested marketplace. Based on our FY 1987 accession rate of 18.7% women and the apparent success of our accession methods, we urge the Congress to remove the 22% objective for FY 1989.

European Troop Strength (ETS): Originally imposed as a temporary measure, the ETS ceiling was made permanent by the FY 1985 DOD Authorization Act. The ceiling established was 326,414. Within this level, individual Service ceilings are determined by USCINCEUR. The ETS ceiling continues to be the single most significant management obstacle to the performance of the Air Force mission in Europe.

Air Force strength for FY 1988 is 93,352, growing slightly to 94,654 in FY 1989. Figures for FY 1989 are programmed; there are currently no USCINCEUR imposed service ceilings for that year. Air Force growth is specifically tied to priority programs such as Air Force Ground Defense, Special Operations Forces and medical programs. It is needed to counter a growing Soviet and Warsaw Pact conventional capability.

Reserve Forces: Guard and Reserve personnel now approximate 25% of total Air Force personnel and represent a highly trained and experienced mobilization asset.

For FY 1988 the Air National Guard is authorized an end strength of 115,900 which includes 7,836 Active Guard/Reserve (AGR). The 1989 amended request provides for an end strength of

115,200 including 7,948 AGRs. Budgetary constraints have curtailed the programmed strength build. The greatest single impact on manpower will be in the Medical Service Corps (MSC).

For FY 1988 the Air Force Reserve is authorized a Selected Reserve end strength of 82,400 including 669 full time personnel. The 1989 amended request provides for an end strength of 83,600 including 657 full time personnel.

Our national strategy relies on the Guard and Reserve as initial and primary augmentation forces to meet worldwide contingencies. The requested numbers of Guard and Reserve personnel are critical to force readiness. Recruiting and retaining the required numbers and quality is contingent on continued support of programs and incentives such as the G.I. Bill and similar entitlements for reserve component members. The passage in 1981 of the Defense Officer Personnel Management Act (DOPMA) for active component personnel is being followed by a companion Reserve Officer Personnel Management Act (ROPMA), which was introduced but not acted upon by the 100th Congress. We urge enactment of the proposed ROPMA as a high priority.

The Air Force considers itself in the forefront in refining the Total Force Structure to ensure cost effectiveness and maximum capability to meet mobilization and contingency requirements.

Training: Training is both a powerful recruiting incentive and an essential military function. Training in the Air Force, including military construction and base support, costs more than $1.6 billion--almost 80% in salaries for military and civilian personnel. The Air Force gets a good return for its training dollar. We have reduced the average initial skill course length from 16.8 weeks in 1970 to 11.73 weeks in 1987, even though there have been quantum leaps in the technology being taught.

Initiatives underway will further reduce the average length to 11.46 in FY 1988.

Training has always been, and always will be, the epoxy binding our highly qualified accessions and motivated careerists to emerging technologies and maximum combat readiness. However, to meet budget reductions we have had to reduce non-prior service accessions attending technical training. We are also actively seeking ways to provide high quality training without increased costs through automated, technology-based instructional activities. We are investigating interactive video disks, computer-managed instruction, and computers currently in the work area for instructional delivery with the hope of improving training and lowering costs. In FY 1988, the Air Force established a Computer-Based Instruction System Support Activity to work with subject matter experts to develop courses for classroom use and export field units.

Manpower, Personnel and Training (MPT): In the manpower, personnel and training area, we continue to seek improvements in influencing weapon system hardware and support system design. Our goal is to improve overall fighting capability while holding the line on life-cycle costs.

For example, for the past two years, I have outlined our progress in bringing on-line the MPT model organization at Wright-Patterson AFB, Ohio. The unit was established to review MPT factors in new weapon systems early enough in the acquisition process to influence design decisions. It is now functioning and is involved in front-end MPT analysis on both the C-17 and the Advanced Tactical Fighter programs.

Our ultimate goal in MPT is to give supportability equal billing with cost, schedule and performance as key decision factors regarding new weapon systems.

DOD Reorganization Act of 1986: The Air Force implemented the organizational actions required by the Goldwater-Nichols DOD Reorganization Act in accordance with the spirit and intent of the law. In addition, the management headquarters manpower reductions required by Title V of the DOD Reorganization Act were implemented nine months ahead of schedule.

During the past year, the Air Force has made much progress implementing the many requirements of Title IV, Joint Officer Personnel Policy. However, there is far more left to do. The Air Force remains committed to the successful implementation of this legislation. To that end, we continue to advocate modest changes to the law. All implementation analysis and modeling efforts demonstrate that tour lengths should be reduced and officers who complete a DOD-specified tour of at least three years should receive full JDA tour credit. Equally important to our implementation efforts is the extension of the transition period. This does not imply a delay, but would in fact, facilitate our ongoing implementation efforts. Finally, we recommend expansion of the transition period criteria in order to qualify officers who have completed a one-year tour of significant joint experiences. Such changes would provide the management flexibility and latitude needed to achieve effective and equitable implementation. We continue to believe such changes will encourage the development of a Service officer corps more capable of contributing to the effective employment of joint land, sea, and air forces.

The Intermediate Nuclear Force (INF) Treaty/Ground Launched Cruise Missile (GLCM) Drawdown: The Air Force is actively working three major issues surrounding the INF Treaty. The first involves the actual movement and destruction of hardware mandated by the treaty. As each of the operational flights is deactivated, an associated number of manpower reductions will take place. Through an efficient use of cancellations and diversions and normal attrition, additional PCS costs will be minimized.

The second area is the cost involved in monitoring compliance. This involves personnel to monitor the Soviet's compliance and also assist the Soviets in their verification of our compliance.

Finally, is the determination of the force adjustment needed to offset the imbalance resulting from removal of INF missiles. This force structure backfill will consist of force modernization and possible expansion of existing forces. Use of existing facilities and the personnel supporting GLCM will minimize costs associated with any growth, while allowing us to recover some MILCON money which was spent during the GLCM build.

III. COMPENSATION ISSUES

Military Pay: Military pay raises continue to fall behind private-sector wage growth, and six consecutive pay caps have widened the gap to 11 percent. They reflect a hypothesis we can continue to depress pay raises until retention turns down, then react quickly to cut our losses. The late 1970's are vivid illustration this is a pennywise and pound foolish approach. Hundreds of thousands of manyears of experience were lost and it took several years of massive pay raises to reverse the tide. We cannot afford to play roulette again. Persistent caps jeopardize our fragile recruiting and retention environment. Though relative purchasing power has remained constant during most of the period since comparability was last restored, the 2 percent in FY 1988 will produce a real, after inflation, pay reduction. Further, our people have not received the real increases in pay earned by their private-sector counterparts. This gap must not be allowed to widen, and therefore it is imperative the President's FY 1989 request for a 4.3 percent military pay raise be supported by the Congress.

Variable Housing Allowance (VHA): VHA was implemented in 1980 to give members a much needed housing allowance and to balance the disparity in housing costs across the country. When the program was restructured in FY 1985 to improve cost effectiveness and reduce excessive out-of-pocket expenses, the law provided for annual adjustments to the total VHA budget based on the inflation increase in the housing component of the Consumer Price Index (CPI) weighed by the expenditure patterns of military members. The successive freezing of VHA funding in FY 1987 and FY 1988 blocked the 4.9% and 3.4% inflation adjustments. Although the VHA program is designed so members will absorb 15% of the nationwide median housing cost for their pay grade, the freezes have helped accelerate the average out-of-pocket absorption to 20% in FY 1987 and over 22% in FY 1988. The bottom line is that after the FY 1988 freeze and required VHA rate adjustment, 30,000 Air Force people saw their 2 percent pay raise evaporate and they actually ended up with less pay on 31 January than they had on 31 December. (I might add, this does not account for the increased social security and revised federal income tax withholding.) This situation could have been avoided, for the most part, if Congress had permitted the inflation adjustment to work as intended. The Air Force strongly urges Congress to allow the VHA system to work as designed and to support the 3.4% inflation increase for the VHA in FY 1989.

The problem is further aggravated by the VHA offset which requires Service members to forfeit half the difference between housing costs and the sum of BAQ and VHA. The offset provision penalizes those who had made substantial down payments on homes in order to obtain lower monthly mortgage payments as well as those who bought or rented in outlying suburbs and traded longer commuting distances and time for affordable housing. The offset has its most severe impact on junior enlisted and officers who can least afford any reduction in housing allowances. The VHA offset and funding caps have taken a very positive program and undermined its credibility with the troops.

Overseas Station Allowance: Overseas Station Allowances, composed of Cost-of-Living Allowance (COLA) and Overseas Housing Allowance (OHA), are critical entitlements designed to prevent the erosion of our overseas personnel's standard of living. These entitlements respond rapidly to the impact of US dollar fluctuations which would otherwise take money out of the troop's pockets. Without these entitlements, our people would be discouraged from volunteering for and/or extending at overseas locations. During the past 12 months, the US dollar has undergone a significant devaluation against both the German Mark and Japanese Yen, creating a rise in both COLA and OHA dollar requirements. Based on the exchange rate in January 1988, a $229M shortfall in overseas station allowances is projected. The volatility of the dollar has had a significant effect on the management of the Military Personnel Appropriation. FY 1987 highlighted the critical need to include the Military Personnel in the Department of Defense Foreign Currency Fluctuation Account. Without authority to transfer funds from the Account in FY 1988, additional significant reductions to personnel would be required. The impact on readiness would be devastating.

Selective Reenlistment Bonus (SRB) Program: The Air Force continues its close scrutiny of the SRB program. Bonuses are paid for only those critical skills with shortages or insufficient reenlistments to maintain the future health of the skill. The Air Force reviews all SRB skills at least twice a year and makes program adjustments as required. These programming adjustments add and delete skills as well as make appropriate changes to payment levels. Currently, 90 of a possible 240 skills receive an SRB--the majority in the intelligence, electronics, avionics and aircraft maintenance career fields. A 20 percent reduction in the FY 1988 SRB budget and perceptions of uncertainty of future benefits and the forced understrength in FY 1988 causes serious concern about our ability to maintain these critical skills. We need and strongly encourage full congressional funding of the FY 1989 SRB program.

Family Support Centers: Sixty-seven percent of the force have family responsibilities, and family satisfaction is an important factor in improving readiness and retention. Family Support Centers (FSCs) respond to this critical relationship. Establishing Family Support Centers at major installations is tangible evidence the Air Force can and will develop programs to promote family welfare. Family concerns relating to spouse employment, financial management, and relocation, in particular, have high priority and deserve strong support. We will build 17 new FSCs in FY 1989 and will complete the build of 123 in FY 1991.

Montgomery GI Bill: The Montgomery GI Bill is working very well for the Air Force in attracting high-quality recruits. By the end of 1987, participation had increased to 73% for our non-prior service enlisted recruits. We support a minor change requiring legislation: a reimbursement provision for deceased or totally disabled members.

Appropriated Fund (APF) Support to Morale, Welfare, and Recreation (MWR): MWR programs are one of the best forms of nonmonetary compensation. They provide a direct contribution to morale, fitness and a healthy lifestyle of our people. MWR's share of the AF budget is less than one half of a percent; the value is ultimately measured in the readiness of our force. At overseas locations they are often the only social activities available to our families. In such instances, they provide food, entertainment and social activities familiar to American taste and values, fostering a sense of community togetherness and pride.

During the FY 1987 authorization and appropriation hearings, the committees provided the Services guidance in the funding and operation of these programs while reducing O&M support by $21.5 million. The Air Force developed plans to increase the efficiency of our activities and raise revenues to offset further losses of appropriated funds in FY 1988. In this effort we developed a funding philosophy for categorizing activities for appropriated and nonappropriated fund support which was adopted as a coordinated OSD position and approved by the FY 1988 Long Term Continuing Resolution Authority (CRA). This new philosophy recognizes the government's responsibility to fund activities such as gymnasiums, libraries and child care centers to support the organizational and institutional goals of the Air Force. It also recognizes that certain recreational activities such as golf courses and bowling centers primarily benefit the individual and will be supported through self-generated monies and operated as business activities. We are implementing this philosophy in the Air Force. The Long Term CRA also capped MWR support at the FY 1988 budget level ($357M for Air Force) after reducing O&M support by $28 million. We request Congress continue to recognize the government's responsibility and moral obligation to provide a hometown environment for our people and not permit appropriated funding to erode further.

PCS Reimbursements: Though progress has been made, many are still suffering high out-of-pocket costs during permanent change of station (PCS) moves. The annual Air Force survey again confirmed only one of every three dollars in moving costs is reimbursed. The survey showed the median unreimbursed (out-of-pocket) costs ranged from $1,300 for mid-grade enlisted personnel (E-4 - E-6) to over $2,700 for field grade officers (0-4 - 0-6). Out-of-date household goods (HHG) weight allowances are a critical source of out-of-pocket costs for many. Last year DOD submitted a HHG study which proposed an upward adjustment to the weight allowances based on actual HHG data. This data indicated approximately 15 percent of the enlisted force and 19 percent of the officer corps pay excess HHG charges. These expenses typically amount to 40-80 percent of monthly basic pay for enlisted members and 30-40 percent for officers. Air Force data show it is not uncommon for our members to suffer added expenses, without compensation, for lost or damaged HHG or goods disposed of prior to a move due to inadequate weight allowances. The Air Force believes adoption and funding of increased weight allowances will provide essential and reasonable relief for members who relocate at the direction of the Government.

Authorization for payment of the Temporary Lodging Expense (TLE) allowance to all Service members removed a significant out-of-pocket expense incurred during relocation. However, full funding for this allowance is necessary. The Air Force strongly urges Congress to recognize and fully fund costs associated with Government-directed moves.

IV. Leadership Issues

PCS Management: Management of the PCS program has been an item of continual interest within the Department of Defense and

Congress. It is essential to the Air Force mission to maintain a permanent change of station (PCS) program which allows us to meet our global commitments and provide fair and equitable treatment for our people. In FY 1987, the Air Force took aggressive management actions to eliminate unnecessary PCS moves. We implemented a new method of managing overseas rotation with three basic elements -- Indefinite return date, In-Place Consecutive Overseas Tours (IPCOT), and a COT base of preference program. These elements coupled with several incentives to encourage higher voluntary overseas service have slowed our overseas rotation pattern. At the same time a new method of reducing CONUS movement by maximizing use of pipeline resources was instituted. These initiatives, implemented in conjunction with revisions to the DOD PCS Directive, resulted in significant decreases in the number of moves required to support our global commitments. As a result, since the FY 1987 President's Budget request, PCS moves were reduced by over 41,000 from an initial 298,285 move requirement to 257,237 in FY 1987.

Because of austere funding in FY 1988, the AF had to take the following temporary actions to stay within the funding available:

1) Establish an 85 percent CONUS manning floor. (No CONUS-to-CONUS operational move will be made until gaining unit manning drops below 85 percent)

2) Reduce incrementally overseas manning, not to go below 90 percent or worldwide manning levels, whichever is lower. (No CONUS-to-overseas rotational PCS move will be made until unit manning reaches the applicable level)

3) Solicit voluntary overseas tour extensions. (Ask all FY 1988 overseas returnees, including those with CONUS assignments, to reconsider and extend to, or beyond, FY 1989)

4) Continue Special Extension of Overseas Tour/Consecutive Overseas Tour (EOT/COT) program. (Allows those with FY 1988 return date who receive CONUS assignments they do not desire to "throw back" the assignments in exchange for an extension or COT)

These temporary measures cannot be sustained into FY 1989 without seriously jeopardizing our ability to meet our global commitments and provide equitable treatment for our people. Our FY 1989 program includes all of the cost saving initiatives that were implemented in FY 1987 and reflects a balanced program.

Equal Opportunity and Treatment (EOT): Since the inception of the Social Actions program in the early seventies, the Air Force has made great strides to ensure fair and equal treatment for all. The representation of minorities and women in our personnel programs improved over the years and we continue to counter the mission-degrading impacts of discrimination through direct involvement by commanders and supervisors, quality human relations education programs, and dedicated EOT staffs.

However we want to be ahead of problems, not react to them. We realize complacency would only contribute to a resurgence of problems; so, we remain firmly committed to programs that uphold the principles of equal opportunity and treatment in the Air Force.

Drug and Alcohol Abuse Control Program: Substance abuse is a continual threat to combat readiness and must be met with an aggressive and sustained program of deterrence. While efforts to strengthen the quality of our programs continue, an austere budget and resulting reductions in resources may impact our progress in controlling drug and alcohol abuse among Air Force military, civilian, and family members. Budget reductions mean fewer and less experienced personnel to manage the program. Additional cuts in resources require a greater reliance on and commitment to preventive measures. To help lessen the possibility of any adverse consequences, we implemented a drug and alcohol counselor certification program to improve program effectiveness, upgrade counselor competency, enhance quality control, and maintain commander confidence in the rehabilitation program. Also, we are reevaluating our quality force standards to ensure we retain only productive and well-disciplined members. We are also exploring some possible program consolidations.

V. CONCLUSIONS

Mr. Chairman and members of the Committee, the Air Force is committed to provide a credible combat force ready to meet Air Force commitments worldwide. To achieve this goal, we seek your support for those programs which ensure our ability to recruit train, and retain the quality people necessary to achieve our mission. With your support, we will continue to maintain our critical Air Force readiness.

Senator GLENN. Thank you very much, Mr. Secretary.

Any other comments from other panel members this morning before we proceed?

[No response.]

No one. Fine.

OFFICER CUT ISSUES

Mr. Green, just to clear up one other thing here on the officer cut issue that we have had many discussions on with the JCS and everyone else.

At the hearing this subcommittee held on March 17, we got into that, of course. You indicated we would be receiving the material from you on officer strength plans for fiscal years 1989 and 1990.

When can we get that material?

Mr. GREEN. I signed it out yesterday. I have a copy to give Fred this morning.

[The information follows:]

ASSISTANT SECRETARY OF DEFENSE,
FORCE MANAGEMENT AND PERSONNEL,
Washington, DC, March 23, 1988.

Hon. JOHN GLENN,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: During my testimony before your subcommittee on March 17, 1988, I promised to provide specific officer reductions contemplated for FY 1989. I also thought that it might be useful to briefly recap the results of the Officer Requirements Study so you can relate those findings to other reductions planned for FY 1985 and FY 1990.

As you remember, the FY 1988 Officer Requirements Report did not validate 7,733 of the officers added by the Services from FYs 1980–1986. We have taken action to see that those positions are converted to civilian or eliminated. Thus far, the Department of Defense has actually reduced 6,176 officers from the FY 1986 baseline and another 2,643 from congressionally approved growth for FY 1987 and FY 1988. The total loss (8,819) exceeds the nonvalidated growth by more than 1,000 officers. The Department has now identified an additional 4,000 officer positions for conversion or elimination during FY 1989 and FY 1990 (see attachment).

Through 1988, the Air Force has taken a reduction of 3,510 officers from the FY 1986 baseline (Officer Requirements Report required a 3,472 reduction). In addition to this 3,510, the Air Force has identified another 1,000 spaces for conversion to civilian—500 in FY 1989 and 500 in FY 1990. Please note that we require your assistance to ensure that the civilian spaces are funded in the Operations and Maintenance account. For FY 1990, the Air Force will remove 2,100 more officers as a result of force structure related programmatic reductions. The net loss of officers for the Air Force from FY 1986 to FY 1990 will be 6,610 position (6.1 percent).

For the Army, the requirements study identified 3,584 unvalidated positions, and another 1,119 positions have been identified in connection with force structure reductions for FY 1989, making a total of 4,703. The Army has thus far reduced 3,149 from the FY 1986 baseline, leaving 1,554 for potential elimination. Complicating the Army situation is the fact that 3,000 of the 3,584 spaces not validated in our study could not initially be accounted for. Subsequently, we have confirmed that 626 of the officers were assigned to combat units (division and theater forces). It is our view that the Army owes an additional 928 officers (1,554–626). The total loss of officers for the Army since FY 1986 will then be 4,077 (3.8 percent). As shown in the attachment they plan to take an additional 500 reduction in FY 1989 and another 428 in FY 1990.

We believe further reductions for the Navy and Marine Corps are inappropriate. The Officer Requirements Report did not validate 631 of 8,342 Navy spaces added during FYs 1980–1986. However, the Navy is one Service that clearly has continued to expand combat structure in FY 1987 and FY 1988. During that time period, the Navy lost 2,090 officer billets associated directly with fleet growth as a result of the DoD officer reduction. Through FY 1988, therefore, the Navy is short 1,359 (2,090–631) officers.

For the Marine Corps, the Commandant has directed a study to identify units associated with an end-strength reduction of 2,900 spaces. It appears that officers saved from these force structure changes will be reinvested in front line Marine Expeditionary Forces—bringing Battalion levels up to 100 percent of requirements. We support that effort.

The Department of Defense is committed to improved oversight for officer, as well as enlisted and civilian requirements. Enhancements as outlined in the Officer Requirements Report are being instituted. We believe that DoD has complied with congressional tasking to justify officer growth. I respectfully request that you support the repeal of the remaining 4 percent reduction for the FY 1989 Defense Authorization Act.

Sincerely,

Grant S. Green, Jr.

Enclosure: As stated.

DoD OFFICER REDUCTIONS

	REDUCTIONS THROUGH FY 1988	ADDITIONAL OFFICER REDUCTIONS		TOTAL CHANGE	PERCENT LOSS
		FY 1989	FY 1990		
AIR FORCE	-3,510	-500	-2,600	-6,610	-6.1
ARMY	-3,149	-500	-428	-4,077	-3.8
NAVY	+559	-	-	+559	+.8
MARINE CORPS	-76	-	-	-76	-.3
	-6,176	-1,000	-3,028	-10,204	-3.3
MILITARY PERSONNEL APPROPRIATIONS		-$15M	-$103M		
CIVILIAN O&M COSTS*		+$ 7M	+$ 22M		
NET ESTIMATED SAVINGS		-$ 8M	-$ 81M		

* As the 1,000 Air Force officers are to be converted to civilians, 7 million dollars should be added to the Operations and Maintenance Account in FY 1989 and 22 million dollars should be added to that account in FY 1990.

Senator Glenn. Very good. Fine.

FORCE CUTS

I am the last one that wants to force arbitrary cuts that would affect combat effectiveness. I have said that repeatedly, and I mean that. The problem has been our inability to get an analytically compelling case on this from across the river, so we look forward to reading that.

In the study we had before, you indicated the other day that 22 percent or some 7,700 of the growth was invalid, and so we have not been wrong, at least so far, in applying the cuts that we did, I feel.

Mr. GREEN. No, sir.

Senator GLENN. We are looking forward to this information, and I hope that this is accurate enough to justify the other things. I know that Secretary Carlucci is very concerned about this and what we are going to do about it. I have talked to him personally about it, as late as yesterday afternoon as a matter of fact.

So we will start off with that this morning.

General Hickey, I want to follow up on the issue that was raised with General Dillingham at the hearing we held on March 17, too. At that time I brought to General Dillingham's attention a memorandum that I am sure you are familiar with that indicated that the military airlift command has some 200 more colonels and authorized billets and was scheduled to gain 50 more before the summer is ended.

My question would be have you looked into this and the implications this has about colonel manning Air Forcewide?

General HICKEY. Yes, Mr. Chairman, I have, and I am glad that I have the opportunity to come back and clear the record on that.

Senator GLENN. I know this caused a great deal of consternation. I wanted to give you the first crack at justifying or saying it is corrected or that something is at least under way.

General HICKEY. I need to describe two situations. The first one is the one that exists in military airlift command, and then I think the only way that the committee is going to be satisfied is to look at the Air Force as a whole and to see how we are looking across the board in those same issues.

So I have a couple of handouts that I would like to pass around, and I would like to make them for the record. As soon as you get them, I would just like to walk through what they say.

Senator GLENN. Without objection, they will be included in the record.

[The information follows:]

AIR FORCE
OFFICER REDUCTION
(TOTAL)

	END FY86 ACT AUTH	END FY88 ACT AUTH	DELTA AUTH	PCT CHANGE	END FY88 PROJ ASGN	PCT FY88 AUTH	FEB 88 ACT INV	CURRENT % FY88 AUTH
COL	5857	5765	- 92	-1.6%	5536	96.0%	5627	97.6%
LTC	13369	12974	-395	-3.0%	12405	95.6%	12469	96.1%
MAJ	20933	20205	-728	-3.6%	19648	97.2%	19792	98.0%
CO GRADE	68092	66256	-1836	-2.8%	67616	102.1%	69077	104.3%
TOTAL	108251	105200	-3051	-2.9%	105205		106965	

- REDUCTION BALANCED AND AFFECTS ALL GRADES FROM 2D LT TO COL
- PERCENTAGE OF FIELD GRADE REDUCTION (-3.12%)EXCEEDS COMPANY GRADE REDUCTION (-2.77%)
- INVENTORY (ACTUAL # OF OFFICERS) UNDERMANS FIELD GRADE AND OVERMANS COMPANY GRADE

AIR FORCE
OFFICER REDUCTION
(LINE ONLY)

	END FY86 ACT AUTH	END FY88 ACT AUTH	DELTA AUTH	PCT CHANGE	END FY88 PROJ ASGN	PCT FY88 AUTH
COL	4674	4571	-103	- 2.3%	4306	94.2%
LTC	11491	11199	-292	- 2.6%	10584	94.5%
MAJ	17623	17076	-547	- 3.2%	16158	94.6%
CO GRADE	58797	57342	-1455	- 2.5%	59145	103.1%
TOTAL	92585	90188	-2397	- 2.7%	90193	

- REDUCTION BALANCED AND AFFECTS ALL GRADES FROM 2D LT TO COL
- PERCENTAGE OF FIELD GRADE REDUCTION (-2.87%) EXCEEDS COMPANY GRADE REDUCTION (-2.54%)
- INVENTORY (ACTUAL # OF OFFICERS) UNDERMANS FIELD GRADE AND OVERMANS-COMPANY GRADE

LINE OFFICERS

	4/88 AUTH	(% 29 FEB 88) ASGD		# AWAITING PIN-ON
COLONEL	4571	4385	- 186	1177[1]
LT COL	11199	10785	- 414	2189[2]
MAJOR	17076	15621	-1455	2182[3]
CAPT	37204	35810	-1394	
LT	20138	23559	+3421	
TOTAL	90188	90160	- 28	

[1] INCLUDED IN LT COL ASSIGNED (10785)

[2] INCLUDED IN MAJOR ASSIGNED (15621)

[3] INCLUDED IN CAPT ASSIGNED (35810)

General HICKEY. Looking at the letter, I must say in defense of the MAC DP, what he was trying to do was deal with the problem which had to do with the combination of colonels and lieutenant colonels who are colonel selectees. As both of the Senators who are here today know, having been in the military, once you get selected for that next higher grade, at least attitudinally and in your own mind you are already at that next higher grade and you are ready to move on and get into one of those next higher grade jobs.

Senator GLENN. I always had that mentality, but nobody recognized it. That was the problem. [Laughter.]

General HICKEY. So what I am saying is there is a drive on both the part of the selectees and their supervisors to get them into the next higher grade job as rapidly as they can.

When you have normal promotion lists and you go through them in a year, then that works all right. In this particular case, we have a very large group of selectees, and it is going to take some 22 months to clear the list; therefore, we do not have the flexibility to do that.

But MAC is a unique one, and at the end I would like to talk to how I think we can handle the military airlift command.

The more important thing is, if you will look at the sheets which I have given you, I gave you the end authorizations for the total Air Force active officer force by lieutenant colonel, colonel and major and then the company grades below that and the totals.

Then you will see the authorizations that we expect to have actually on the books for the end of fiscal year 1988. You will note that there are reductions in all of the grades. They are not exactly the same in all grades. Part of that is due to the way that the DOPMA tables are laid out.

I would point out, however, that the field grade reduction that is being made in the authorization exceeds the company grade. There seems to be some concern that we were not making any adjustments in the higher grades in the force as we were going through this 3,000 plus reduction that we are making in the officer force in the Air Force. That is simply not true.

If we had stopped and thought about it, it would not be possible to do that because DOPMA would preclude us from just cutting young people and not adjusting the grades.

So the fact is that the authorizations are cut in the field grades more than the company grades, and that is progressing.

We have an end of fiscal year 1988 projected assignment column next to that. That is how many people we think we will have in each grade, and next to that the percentage of the authorizations.

You will see, again, even though we have taken a bigger cut in the field grades, we intend to be undermanned in all of those field grade authorizations, even to those reduced authorizations, and we intend to overman the company grades.

Then finally, since I am telling you what I think it is going to be, I thought I probably owed you what it really is. As of February 1988, we in fact are already reduced and undermanned against those fiscal year 1988 authorizations by 97.6 percent in colonels and so on down.

As you can see in the bottom, the total strength is still 106,965 as we work our way down to 105,200. But, in fact, the field grade adjustments have already been made.

Senator GLENN. This is a distribution problem, then, in the Air Force more than anything else?

General HICKEY. Yes, sir, and it was concentrated within the military airlift command. I thought you might think I was pulling the wool over your eyes, so the second sheet deals with the same things, and I would just look at the line force.

I took the medical, the doctors, the JAGS——

Senator MCCAIN. Before we leave the first page, percentage change, if I read this chart right, you have a 1.6 percent reduction in colonels as opposed to a 3.6 percent reduction in majors. Is that correct?

General HICKEY. Yes, sir.

Senator MCCAIN. So, obviously, on a percentagewise basis you have cut more field grade than you have colonels, more majors than you have colonels percentagewise.

General HICKEY. We have cut more majors, yes, sir. We surely have, but that again is the vagueries of the DOPMA tables. They do not expand linearly up and down between the grades or between company and field grade.

The allegation was that we are doing nothing in the upper grades, and the fact is that we are.

If you will look at the——

Senator MCCAIN. You are doing less percentagewise than you are in the lower grades.

General HICKEY. I am doing more in the field grades than I am in the company grades.

Senator McCAIN. You are doing less in the rank of colonel than you are in the rank of major or company grades?

General HICKEY. Oh, yes, sir, and I am also doing less in lieutenant colonel than I am in major.

Senator McCAIN. Perhaps that accounts for the abundance of colonels and lieutenant colonels in certain areas if you are doing less percentagewise about the higher grades than you are about the lower grades.

General HICKEY. No, I do not think it does, sir. It is purely a function of the translation of the DOPMA tables. Those are authorizations, so they have nothing to do with the number of inventory.

Whether I have an overage or underage of colonels is going to look at the inventory of 4,306 versus the authorization for 4,571.

Senator GLENN. I wanted to get on the DOPMA tables here, if we could.

General HICKEY. If I may finish my thought, Mr. Chairman, and I do not pretend to have any expertise on this issue, that from fiscal year 1986 to fiscal year 1988, 1.6 percent of the colonels in the Air Force were reduced. From fiscal years 1986 to 1988, 3.6 percent of the majors and 2.8 percent of company grade were reduced.

Senator GLENN. As I say, I do not know how DOPMA affects this, but it seems to me the percentagewise, you are reducing more of a percentage of lower grades than you are of the rank of colonel.

General HICKEY. That is true, and what I am telling you is that DOPMA controls how those grades are authorized. You will find that they are not linear between any of the three field grades that are there, given the strengths.

I think the underlying philosophy of DOPMA was that as you reduce in total number, you reduce less at the top of the pyramid because it is your expansion capability for the future. If you are going to back out and fight another war and expand, you have an in-place field grade set there.

There is no inference, nor should there be, that the field grade cuts should be exactly the same in each grade. In fact, the DOPMA tables do not operate in that particular way.

If you will look on the next page where I am talking about——

Senator McCAIN. Without being argumentative, I think you could expand in the higher ranks as required to do so as easily as you could in lower ranks, in my view, by promoting qualified people up the line; but we are probably getting a little too detailed so far as——

Senator GLENN. This may straighten out a little bit as we get into the DOPMA tables.

FY87 DOPMA Accountable Officers in the 0-6 Grade

	ARMY	NAVY	AIR FORCE	MARINE CORPS
DOPMA Ceilings	4,110	3,113	4,848	1,618
FY87 Actual	3,595	3,113	4,837	1,618
Difference	515	0	11	0

Comparison of Actual Numbers

Army-Air Force	3,595		4,837
Difference	1,242 (36%)		
Navy-Air Force		3,113	4,837
Difference		1,724 (55%)	

General Hickey, we have a chart there that shows the DOPMA accountable O–6s of each of the services that they had on board at the end of 1987. These are DOD figures.

Across the first line under the service columns are the DOPMA ceilings for each of these services in O–6, and across the second line are the numbers that were on board at the end of fiscal year 1987.

Now, I know that all the services have different enlisted-to-officer ratios, but of all the services the Army is the only service that had substantially fewer O–6s on board, 515, than its DOPMA ceiling allows. The rest of the services are right at their DOPMA limits.

At the end of fiscal year 1987, the Army was the largest service in terms of active military pesonnel, 781,000. The Air Force is next at 607,000, and the Navy was right behind at 593,000.

Yet, as the comparison on the chart shows, the Air Force was way ahead of the other services on the number of O–6s it had, 1,242, or 36 percent more than the Army, and 1,724 or a whopping 55 percent more than the Navy.

Now, I concede that there are some different ratios here, but even if I concede that, the Navy has about 34,000 fewer officers than in the Air Force. It may not be a good basis for comparison. The Army has about the same number of officers as the Air Force.

I know there has been a traditional difference in the number of officers in the Air Force in the enlisted-to-officer ratio, but do you need 36 percent more colonels than the Army?

General HICKEY. Is it my turn?

Senator GLENN. Yes.

General HICKEY. You are exactly right. The differences in the numbers are just another way of highlighting an officer-enlisted ratio, and they do not have to do with much more than that.

The fact of the matter is, Senator, that Gen. Omar Bradley was here in January 1949 before the Committee of Armed Services, and he said, you know, the ratios are not a formula. It is a variable. It is fixed by the mission it is assigned. We have consistently said that since 1949, but it never gets absorbed, and nothing ever changes.

So if we are going to insist on using ratios of comparison, then I would submit that we ought to compare apples to apples.

PROMOTION TIMING AND OPPORTUNITIES

Senator **Glenn**. Let me show you, then, the promotion timing and opportunities. Maybe I will address this to Mr. Green, but I would like to raise this one point before we go on.

General **Hickey**. Before we leave the ratios, I would just like to make the point that I think the Air Force ought to be compared to other air forces and not the Army or the Navy. It is like comparing General Motors to IBM instead of comparing General Motors to Chrysler.

Senator **Glenn**. I agree to some extent, but let me go on to this next one.

Senator **McCain**. Mr. Chairman, could I just follow up on what you are saying?

I do not think that the chairman here is comparing officer-to-enlisted ratios. I think we are comparing O–6 to O–6 ratios here.

General **Hickey**. No, he is comparing O–6 to total force ratios.

Senator **McCain**. We are talking about comparison of numbers of O–6s, are we not, Mr. Chairman?

Senator **Glenn**. We are, but that would be reflected in some of the enlisted-to-officer ratios to some extent. I agree with the General on that to some extent; but the point you make is good.

The point I want to make is this. Let me show you the promotion timing and opportunities for each service in the field grades in 1987 and how they compare to DOPMA guidelines.

Would you put up the second chart up there?

FY87 DOD Promotion Timing / Opportunity
Line Officers

	To 0-4	To 0-5	To 0-6
DOPMA Guidelines	10 yrs ± 1yr/80%	16 yrs ± 1yr/70%	22 yrs ± 1yr/50%
ARMY	11yrs – 2mos/73%	17yrs – 3mos/78%	22yrs – 5mos/48%
NAVY	9 yrs – 8mos/80%	15 yrs – 2mos/70%	21 yrs/56%
AIR FORCE	11yrs – 1mos/90%	16yrs – 4mos/75%	20yrs – 9mos/55%
MARINE CORPS	11 yrs – 6mos/80%	17 yrs – 2mos/70%	21 yrs – 11mos/55%

Now, I do not want to go over the whole chart because I think the numbers speak for themselves, but what you will note is that the only service that is completely out of phase with the DOPMA guidelines in the O–6 grade is the Air Force, which is 3 months outside the early edge of the DOPMA window and 5 percentage points or 10 percent above the DOPMA opportunity guidelines.

Now, I believe that is why the Air Force has a surplus of colonels, not just the enlisted-to-officer ratio. Every other service is in line with that. That can explain why the Air Force is this far out of line on the colonels.

So Mr. Green, I have said repeatedly over the last year I think OSD needs to get into this and look at some of these things, too. We referred to it in private conversations, as well as here. I am not referring to your office now but in the past, at least, the rubber stamp mentality prevailed, whatever the services passed up was sort of rubber stamped and sent over, and that is what we took as where this was going wrong about 3 years ago. We have uncovered quite a bit, as we are all aware.

So I would submit that falling outside these DOPMA windows is the main reason why the Air Force has a surplus of colonels.

Mr. Green, have you had an opportunity yet to look into any of this across the services since our last hearing?

Mr. GREEN. Not this particular problem.

Senator GLENN. General, do you want to comment on this, and I will ask for any other comments that other services may have.

General HICKEY. Yes, sir, I would like to.

First of all, let me deal with the colonels in the colonel promotion timing of 22 years plus or minus one. We are below the rate. We are at 20 years and 7 months right now, and the reason that we are below that rate is because we have had 2 to 3 very short year groups of colonels coming through the promotion zone. To meet all of our requirements they had pinned on earlier.

The current list will not be exhausted until January-February time frame in 1990. When we get done with that list we will be back to 21 years and 9 months. So we will be back within the window.

Now, there are several other areas on that board up there that are not within the "DOPMA guidelines."

In the Air Force, we are promoting at 11 years and 1 month to major, and the guideline of DOPMA is 10 plus or minus 1. There are several others up there that could be highlighted in yellow that are outside it.

The important thing to deal with in DOPMA is that the phase point is given in 1 year plus or minus 1, and it is a guideline. The other aspect that deals with selection opportunity is very, very clear, and it says that is a minimum. The minimum specified for colonel is 50 percent.

So, bluntly, the Army is below the minimum specified in the law or specified in the committee report which describes how the law is supposed to operate.

We do not think we are doing a thing wrong. We have not been able to get into the window in majors since the law was written. For 7 straight years, we have been promoting later than the guideline window, and nobody has been concerned about that. We are concerned with it, but we cannot do much about it.

Senator GLENN. We were not concerned when it was below the percentage, I guess, as much as we are when we find out about the above the percentage.

General HICKEY. It is self-correcting in colonels, and we will be there without doing anything more.

Senator GLENN. When we find letters like that one from military airlift command floating around, that we are creating jobs and being innovative and all the sort of things we ran into.

My 10 minutes must be up by now.

Go ahead, John.

Senator MCCAIN. Thank you, Mr. Chairman.

To relieve some of the heat from the Air Force, Secretary Green, I have learned something that is a little troubling to me and I think would be to other members of this committee. I hope you can shed some more light on the information that I have received.

OFFICER MANNING IN OFFICE OF JCS

Apparently last December, Secretary Carlucci asked the DOD IG to do a study and report on officer manning in the office of the JCS and in all joint Unified and Specified Commands.

I further understand the report was completed in early February and delivered to the Secretary.

I am told that study identified almost 7,000 officer positions which may be in excess of validated requirements. Because of the magnitude of that finding, the uniform military asked and got the Secretary to declare that an internal study only and to refer the study to the JCS for comments; that is to say, no action is being taken on that study.

First, Mr. Secretary, can you confirm that such a study exists? If so, were the results of that study factored into your officer requirement study delivered to this committee early this month?

Mr. GREEN. I can confirm that such a study does exist. It does not identify 7,000 officer requirements. It identifies approximately 7,000 total requirements that may be in question.

Senator MCCAIN. May be in excess?

Mr. GREEN. May be; that is an initial cut. A member of the DOG IG, and his team questioned the validity of 7,000 (plus) spaces.

Senator MCCAIN. We are speaking of officers; is that right?

Mr. GREEN. No, we are not speaking of officers; total spaces.

Senator MCCAIN. What percentage is that?

Mr. GREEN. I will get you that. I do not know what the breakout was.

I know of nothing that the Secretary said which would catagorize it as an internal study. It has been referred to the Chairman for his comments. It was referred to him on March 4. His staff and the CINCs are reviewing that study.

Senator MCCAIN. Would you be able to provide this committee with a copy of that study? Is this the so-called Hay Study?

Mr. GREEN. No.

Senator MCCAIN. This is different from the Hay Study?

Mr. GREEN. Yes, this was just something that Secretary Carlucci thought he wanted to look into and directed that the IG conduct it. It is just a study of selected headquarters.

Senator MCCAIN. Would you be able to provide us with a copy of that study?

Let me say, I do not believe it would be the driving document in the deliberations of this committee, but I would suggest that any study by the Inspector General of the Department of Defense would certainly, I think, be important for this committee to know about, particularly as we are deliberating some of the very difficult personnel decisions that lie ahead of us.

Mr. GREEN. I understand.

Senator MCCAIN. Would you be able to provide this committee with a copy of that study?

Mr. GREEN. Let me see whether the JCS is through with their analysis of it. I think it may be more appropriate to provide it after the Chairman has had an opportunity to review it rather than provide a raw study.

Senator GLENN. When could you respond to the committee on whether or not you can give it to us? Could we know that by the end of business today, for instance?

Mr. GREEN. Yes, sir.

Senator GLENN. Thank you.

[The information follows:]

RELEASE OF THE VANDER SCHAAF REPORT TO THE COMMITTEE

Mr. GREEN. The attached letter from Secretary Carlucci to Senator Glenn indicates that release of the Vander Schaaf Report, prior to a thorough review by the Department's senior military and civilian officials, would almost certainly lead to conclusions that would not have had the benefit of in-depth analysis and close scrutiny. Once this review has been completed, the Department will be glad to furnish a copy to the Committee. (See attached Secretary of Defense letter to Senator Glenn, dated April 1, 1988.)

THE SECRETARY OF DEFENSE,
Washington, DC, April 1, 1988.

Hon. JOHN GLENN,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This is in response to your request at the March 24 Subcommittee hearing that we provide a copy of Mr. Derek Vander Schaaf's study team report on headquarters' reductions.

At my request, Mr. Vander Schaaf was assigned in December 1987 to head a team that would review the Organization of the Joint Chiefs of Staff, Unified and Specified Command Headquarters, and Headquarters Service support activities, including component commands. My instructions were to find ways to reduce manpower levels and overhead costs while simultaneously increasing efficiency and combat effectiveness. During this review the group focused on overlapping responsibilities, duplication of functions, and layering of organizational echelons.

Recently, this team completed its effort and provided me with a report that included some cogent observations, conclusions, and recommendations. While I am hopeful that savings in manpower and dollars will result from the report, considerable work needs to be done to assess the recommendations and their potential impact on combat effectiveness. In this regard, I have asked the Chairman, the CINCs, and my staff to review the report. After their analysis is complete, I will take appropriate action, to include manning reductions, or in fact, eliminating entire headquarters and their associated personnel where it does not impact negatively on combat effectiveness.

As I have stated on many occasions, in making the tough choices necessary to accommodate budget reductions, priorities had to be, and were, set. Those priorities have resulted in a smaller force, yet one that is fully ready to perform its mission. A review of certain headquarters is a logical part of the overall process of evaluating our force structure. As we fine-tune our review of the recommendations contained in the "Vander Schaaf Study," we will, no doubt, be faced with considering additional reductions and/or transfers of officers. In this regard I believe it is essential to keep these and other similar manpower/force structure actions separate from the issue of the FY87–FY90 officer reductions directed by Congress. Again, I assure you that I am committed to matching officer (and enlisted) personnel reductions with decreased force levels when those decreases occur.

Release at this time of a preliminary report would almost certainly lead to conclusions that would not have had the benefit of the views of my most senior commanders. Once that review is completed, I will be most happy to provide you the results. In the meantime, my staff will keep yours advised of our progress.

Sincerely,

FRANK C. CARLUCCI.

Senator MCCAIN. Mr. Secretary, I certainly agree that we would want the Chairman and the Secretary of Defense and all other relevant people to review that study, but I also would point out that we are going to be marking up many of these personnel issues in this subcommittee and in full committee in a relatively short period of time, and I think it would be valuable for us to be able to view that study.

HAY STUDY

Could I move on to the so-called Hay Study, which I understand was also floating around across the river?

It is my understanding that that study indicated that there was a shortfall in the officer manning in some operational units, and that there is an excess in many joint staffs and joint commands.

Is that an accurate depiction or at least a partially accurate depiction of some of the results of that study?

Mr. GREEN. No. The Hay Study addressed general and flag officer requirements specifically. In fact, the draft of that study has been completed by the Hay group. It is currently undergoing review by the services and the joint staff. In almost all instances it recommends an increase in general and flag officer authorizations.

The services are currently going through a caveat process because it was a zero-based study, and there are reasons beyond total size of forces supervised that go into deciding whether a position should be filled by a general/flag officer or not.

That process is currently ongoing, but I think the bottom line here is that in the worst case, the study recommends a fairly significant increase in general/flag officers above the current 1,073.

Senator McCain. Obviously, there is more than one study, but it is also my understanding that one of the studies indicated that there was not only that imbalance that you mentioned but there was also an imbalance in flag officers assigned to joint staffs as opposed to flag officers and general officers assigned to their own individual services commands.

Is that accurate?

Mr. Green. That is accurate. The original draft of the Hay Study, shows more increases in the services' authorizations and requirements than it shows in the joint arena.

ALL VOLUNTEER FORCE

Senator McCain. I would make just one other comment concerning the initial part of your statement regarding the All Volunteer Force as opposed to return to conscription form of manning our military.

I am intrigued by some of your data. One of them is that you mentioned that we will be taking a smaller percentage of America's youth into the armed services than we did in 1974. Is that what your statement said?

Mr. Green. In 1996 when we reach the——

Senator McCain. Let me just quote it to you. "When the youth population bottoms out in 1996, we will need a smaller proportion of the youth population than was required in 1974, a good recruiting year."

I do not understand how you arrived at that. Do you mean there was less young men available in 1974 than in 1996?

Mr. Green. I think it relates to the size of the force compared to 1974 and 1996.

In 1996, we will still only need about 6.5 percent of the eligible 18 to 24 year olds.

Senator McCain. I see.

Senator Glenn. What reeinlistment rate does that assume? It must be relatively high.

Senator McCain. You gave us some numbers that are of great concern to you and to us about the recent rate of retention. Perhaps all of that can be solved with some of the remedies that you propose here. I know that the chairman and I are very supportive of those measures. I just wonder where this stops; at what level of incentive as the pool continues to shrink that we have to provide incentives to keep quality men and women in the armed services.

I am not sure that that has been as carefully looked at as I think would be important to make a rational judgment as to our ability to man the forces at those levels, particularly if we have cause to escalate the numbers required to man the military for reasons which we find very hard to predict at this time.

I look forward to discussing that issue with you perhaps in a more academic environment.

Mr. GREEN. I clearly understand your support, Senator, and that of the chairman for what we are trying to do and the compensation initiatives that we have on the table to continue to move us forward in the direction we have been going.

I do not want to be an alarmist in some of my statements. Some of the retention trends and the quality trends are things that we are beginning to see.

We still believe very strongly in the volunteer force. We believe it is the fairest method. We believe it is the least expensive method for the same quality force, but I think we have to "step up to the bar" on this. There are some danger signals we are beginning to see, and I think it is up to us to decide when we want to put the plug in the dike.

I do not believe that we want to get to the point that we were in in the late 1970s. I am sure you do not, nor anybody else on this committee does.

On one hand, we are trying to balance the benefits and the good we see from the volunteer force with some of these early danger signals that we are beginning to see in the first quarter of fiscal year 1988.

Again, I do not think it is reason for great alarm, but it is certainly a reason to prompt us to be very cautious in the way we move. If we are inclined to reduce the total compensation package, I think we have to think very carefully about it.

Senator MCCAIN. Thank you, Mr. Secretary. My time has expired. I look forward to supporting you in any way possible to provide these incentives.

As a final caveat, though, some of us believe that the fairest way is for every young man and woman to have the opportunity to serve their country in some capacity or another.

Senator GLENN. Since it is just the two of us here, if you find something you want to jump in and ask a question on, do it. We can share the time back and forth.

Just to follow up on a little bit, I thought this was pretty scary, and I am referring to the article that was in the Washington Post the other day, the title says "Conscription Would Provoke Social Unrest, Congress is Told".

I do not know whether this was Dr. Armor, your deputy, who was saying social unrest or that it would be perceived by adversaries "as an unwillingness of the American people to pay the cost of an effective fighting force."

This does not deal with the fact that we are going to have reduced population in the mid-1990s. We have no idea right now how we are going to deal with it or what we would have to pay to get that All Volunteer Force in the mid-1990s.

So a lot of variables come into play, whether it is alternative forms of public service or an old CCC type of program as an alternative, community service, military service, a little service and a lot of time in the Reserve or vice versa, there are all sorts of things that we have to look at and work out if the demographics that are projected for the mid-1990s really come to pass.

So I would hate to see statements backing this up from the Pentagon which lock them into a position we may not be able to sustain and support in the mid-1990s. Just a little note of caution.

DRAFT SYSTEM

Senator McCain. Mr. Chairman, if I could take advantage immediately of your courtesy that you extend to me, I certainly am not a scientific sampling but I have gone around this country and particularly around my State talking to young people. I have asked them the question, perhaps unfairly, how many of them would like to serve their country in some capacity for a limited period of time if everyone served. The response has been overwhelmingly positive.

I believe that young people in America want to serve their country in some capacity as long as it is not returned to the unfairness of the previous draft system, where basically we penalized the lowest economic level of our Nation while others either went to college or used other ways of avoiding that service.

Senator Glenn. That is the one issue that has always bothered me more than almost anything else. We have only one reason why you gentlemen are in the military, why John was in, why I was in; that is, you may have to go out and get shot at and die for your country.

I have not come out solidly for the draft. I do not know whether we will need it or not yet. I have an open mind on that subject, so nobody from the press here today quote me that Glenn is for the draft. I was quoted that way out of one other hearing, and it caused a little fire storm back there in Ohio.

So please do not quote that, because I have not come out for the draft, but I am aware of a massive problem that we have to face come the mid-1990's. Whether we can continue to address that problem by All-Volunteer Forces, the jury is still out on that one as far as I am concerned.

But the thing that always has bothered me is with the All Volunteer Force we are very naturally attracting the least economically advantaged people in our society. We know that.

Is it right to say that when people are going to have to go out and get shot at and wounded and die for their country that those are the people that we want to represent the rest of us while the wealthy kids, who may be better educated, are not as enticed into the service as are the ones with less economic advantage?

We did not come to discuss all those future problems this morning, so let us let that drop here.

Mr. Green, let us get over on the aviator bonus proposal. Aside from the 4.3 percent military pay raises that you are requesting, which I intend to support, the major compensation initiatives you propose in your revised budget for fiscal year 1989 is to broaden the current statutory authority for naval aviation officer retention bonuses to include Air Force aviators.

Would you explain the proposal and how it differs from the current statutory authority and go into it, if you will? I also have some other questions to ask on that.

Mr. **Green**. Sir, as you know, the current aviation officer continuation bonus applies only to the Navy. Contracts are limited to a maximum of $6,000. They have a 3-year $4,000 bonus, and they have a 4- to 6-year $6,000 bonus. It is also geared to those between 6 and 11 years of service.

The new program, Aviator Continuation Pay [ACP] would apply to the Navy and the Air Force. It would give the service Secretary discretionary authority subject to the approval of the Secretary of Defense to implement a bonus based on the service needs.

Senator **Glenn**. Is this targeted to certain skills now? Let us say you are a transport pilot. Does it apply the same to transport pilot, fighter pilot, tac pilot, whatever, across the board?

Mr. **Green**. It would be targeted differently in each of those services. The Navy targets more by particular weapons system or platform. The Air Force is targeting partially that way, in that they have excluded their helicopter pilots and their navigators, but will target primarily by year group, between the sixth and the 14th year. So they are targeted, but targeted differently.

As I say, it allows the service Secretary to put the money where the problem is, whether that be by year group or aircraft type.

Senator **Glenn**. So it is up to the Secretary of each service to decide how he wants to apply it. He can apply it where he thinks there is a need.

Mr. **Green**. With the Secretary of Defense's approval; that is correct.

It will apply initially between the 6th year and the 14th year of active duty.

Senator **Glenn**. How much oversight do you give on that out of your office? Do you oversee the Navy program, and do you have to give your approval to it?

Mr. **Green**. We do oversee the Navy program to ensure that they comply with the law. The last occasion that we had an opportunity to disagree, I think, was when the Secretary of the Navy some time ago wanted to include NFOs in the bonus program, and I think that OSD overturned or had some impact on that.

It was specifically written into the legislation that you received this morning or late yesterday that the Secretary of Defense would exercise approval authority.

Senator **Glenn**. I am told that that was in the authorization bill last year, that that was a directive from Congress here. It was in the legislative language.

Mr. **Green**. This was sometime earlier than that when this discrepancy or the problem came up with the Navy.

Senator **Glenn**. Okay, but the point I am making is that you are going to administer the program and see that it is carried out in the services in a way that is going to be targeted to the specific needs. It is not going to be generally across the board, all naval aviators, all Air Force, all whatever. Is that correct?

Mr. **Green**. It is, but I do not want to mislead you. In the Air Force it is targeted by year with the exception of helicopter pilots and navigators. It is targeted by year as opposed to by aircraft.

Senator **Glenn**. The point is it is targeted to the needs.

General HICKEY. It is targeted to needs. That is exactly the point. Right now, we are targeting out navigators; we are targeting out helicopter pilots because both of those inventories are sufficient.

If you look at all of the other major weapons systems we have, we either have a shortage today or we have a significant shortage projected throughout the FYDP in every one of them. Bombers have been alleged to be over strength. They are over today, but they are certainly not going to be over by the end of the 5 year defense program.

So within most of those fixed wing categories, we would essentially target the year groups that are in there. They are only going to pay about 17 percent of the aviators, so it is surely not an across-the-board pay raise or anything like that.

Senator GLENN. Admiral, how has this worked in the Navy? Has it worked pretty well, or does it need some doctoring before we apply it to other problems in the Air Force?

Admiral EDNEY. We believe it has worked very well for the Navy. Until we reached a bottoming out, we were sitting down there in 1980 and 1981 when this idea came up, and we were looking at some drastically low retention rates, particularly in our tactical air that were down in the 16 to 20 percent area.

When we put the bonus in, which was a $6,000 bonus, retention went up immediately to the 48 and 54 percent area. We peaked out at 54 percent, and we are talking about a cumulative continuation rate from the area of 6 to 14 years.

It peaked out, and as the airline pilots hiring stayed high at 5,000 and above, which it has been for the last 2 years, and the fact that the value of the bonus decreased due to the fact of inflation, it drove it down to about a $3,800 bonus.

We have been targeting in that when we see a community, whether it is VF or VA or VS, that is below our retention requirements, when we target the bonus we get a response.

Senator GLENN. Does the problem correlate directly to airline hiring, for both of you?

Admiral EDNEY. Yes, sir.

General HICKEY. Senator, may I clarify one thing? I have heard this twice now, and I do not want to mislead anyone.

This is not an expansion of the Navy AOCP program, per se.

Senator GLENN. I thought it was basically the same.

General HICKEY. No, sir.

Senator GLENN. It is not?

General HICKEY. When we had the first meeting with the staffers over here before we started drafting the legislation, it is similar but they told us two things. First, we wanted to initially also do a cost adjustment to ACIP and bring it up because it was 30 percent behind. The staffers over here, both House and Senate side, said that will not fly. It is too inefficient, and you have to pay too many people for the gains that you get. So they kind of closed us out on that.

As we looked at bonuses, the second thing they said was do not bring AOCP over here because it has not been effective in their view, and it has a bad reputation on the Hill. I do not know whether that is true or not.

So we specifically started from scratch and rebuilt. The Navy has joined us, and we are locked in step. But this bill is meant to be used by the Army or the Marine Corps if they need it, and it can be used across the board as an aviation bonus.

It is the same as an AOCP, in that it is an aviation bonus.

Senator GLENN. Maybe we have a communications problem.

Admiral, you are telling us that it has worked pretty well, then, in the Navy; is that correct?

Admiral EDNEY. Yes, sir. We are playing with semantics here. The program that we have is quite similar to what we have had all along. It allows some targeting at the discretion of the service Secretary.

Senator GLENN. I am afraid I went a little bit over on my time, and I am into Senator Symms' time here.

We have to go vote and we are on the short fuse. The vote is rollcall vote to invoke cloture on S. 79.

Senator MCCAIN. Mr. Chairman, I had some additional questions, and I will submit them for the record.

Senator GLENN. We will go vote and get back as fast as we can. We stand in temporary recess.

[A brief recess was taken.]

Senator GLENN. The hearing will resume.

Admiral Edney, the Senate Armed Services Committee report on the fiscal year 1988–89 defense authorization request contained language directing that aviation officer continuation pay be applied only to critically short aviation skills and that this bonus may not be offered to naval flight officers, NFO's except in those aviation communities in which a critical shortage of NFO's exists.

Is the Navy currently complying with that direction?

Admiral EDNEY. Yes, sir, we are. We go out with a message that targets the bonuses approximately every 6 months based on our retention and our expected numbers.

We just went out, as an example, and deleted VF and VS NFO payments as of March 1, and we do that every 6 months and bring it up to date. We would intend to do that——

Senator GLENN. The Navy's revised budget, though, for fiscal year 1989 shows 1,114 bonus payments to NFO's. Now, that is an increase of 191 over the number of payments for fiscal year 1988.

What communities are these NFO's assigned to, and what is the manning level?

Admiral EDNEY. I think I have that here. Just a moment, sir.

The communities of the VAW, VAQ, the medium attack and those exact retention levels I will have to provide to you. Let me see if I have it.

[Pause.]

I will provide that for the record, sir, on the exact inventory of retention we have in those communities; but all of them are below the inventory requirements.

[The information follows:]

The revised budget reflects the total number of NFOs being paid, both anniversary and new contract payments. Because there are very few NFOs going off the bonus in FY 1989, the total number of NFO payments will increase. We expect the following NFO communities to be eligible in fiscal year 1989:

NFO Comm.	0-3/0-4		Short	Short (percent)
	Req.	Inv.		
VAW	366	298	−62	−19
VAM	346	368	+22	+06
VAQ	250	263	+13	+05
VQ(Jet)	96	97	+01	+01
VF	560	580	+20	+03

Although four of five critical communities have small excesses, the inventory is so close to the margin that a bonus is considered prudent.

Senator GLENN. Fine.

NAVY'S BONUS PROGRAM

General Hickey, the Navy's bonus program is targeted to specific aviation skills in which retention is a problem. We talked about that a little while ago, and you indicated that it was going to be your intention to target this to specific skills.

Will navigators be included in the bonus, for instance?

General HICKEY. No, sir. Under our current retention rates, we have no NFO's or navigators targeted.

Senator GLENN. You are just going to keep it strictly to those skills where there is a problem?

General HICKEY. Yes, sir. The retention rate right now is running about 77–78 percent, so it just does not justify a bonus in any of the weapons systems.

Senator GLENN. If, in the Air Force, you had the option of taking the $54 million that has been set aside for the proposed bonus program and instead used the money to increase aviation career incentive pay, what would you choose to do? Would you choose the alternate route?

General HICKEY. No, we would not choose the alternate route. We would like very much to have the ACIP increase, but the ACIP increase, I have to admit, pays people who are not leaving.

If you do an ACIP increase, you would have to pay the Army and the Marine Corps and all those other folks. It is justified since ACIP has lost about 30 percent of its buying power, and it turns out this $54 million would bring ACIP back up to where it was. The fact of the matter is it will not save enough pilots to do the job for us.

So the $54 million applied to a pure bonus will end up giving us a better pilot retention, and that is where we will have a problem.

Senator GLENN. You feel that has been studied enough? One of the suggestions has been that the subcommittee might want to defer action on the bonus and ask DOD and you, obviously, to develop an ACIP option so we could consider the merits of both.

What would your reaction be to that?

General **Hickey**. Philosophically, in the Air Force we would like to have an ACIP and pay them all the same. We are not enamored with bonusing amongst the officer corps, to be very truthful.

But the fact is if we did something like that, I know enough about it right now to tell you that it would be exorbitantly expensive in order to get it high enough to do the kind of retention job on pilots that you want, and I do not think that you would want to do that.

I think it would also take a lot of time. Bluntly, we have a serious rapidly evolving pilot retention problem, and if we do not do something pretty doggone soon, we are not going to have anybody out there to deal with.

AVIATION CAREER INCENTIVE PAY (ACIP)

Senator **Glenn**. Mr. Green, back to you. Bonus programs are authorized on a temporary basis to treat specific recruiting or retention problems. In the case of aviators, the basic permanent incentive for officers to serve a career in aviation is Aviation Career Incentive Pay, ACIP.

This pay and its structure were put into place by the Congress in the Aviation Career Incentive Act of 1974, and the structure has not changed basically since then, although there was an across-the-board increase to the rates authorized in 1980.

Did you consider changing the ACIP structure to make it a more efficient tool as a career incentive as an alternative to the bonus proposal you have advanced?

Mr. **Green**. Sir, we will certainly look at this. I agree with you that ACIP is not high enough. On the other hand, I have to agree with General Hickey that our short-term problem is the exodus of a large number of pilots out of those two services. I think we have to fix that right now, and I do not think we have enough money to fix it using just ACIP. I firmly believe we have to resort to some kind of a bonus.

Senator **Glenn**. Did you consider changing ACIP, though, before you made your bonus proposal? Was that one of the options you looked at?

Mr. **Green**. Yes, sir.

Senator **Glenn**. It was?

General Ono and General Hudson, the bonus proposal excludes Army and Marine Corps aviators. I gather this means you have no retention problems basically in your respective services.

Is this so, General Hudson?

General **Hudson**. Mr. Chairman, last week when Senator McCain asked that question, we had no problems. I would like to say we have no problems yet. We asked that the language of the proposal include the Marine Corps in case we start having problems in specific communities.

General **Ono**. The same applies to the Army, Mr. Chairman.

Senator **Glenn**. The same thing?

General **Ono**. Yes.

Senator **Glenn**. What are the trends right now? Do you think you are going to have a problem, or are you plateaued pretty well?

General **Hudson**. We have our fingers crossed, Senator, but we do not see a problem in the immediate future. As far as we can see, we cannot see a problem.

Senator **Glenn**. General Hickey, back to you again. You seem to be the center of attention here this morning.

NATIONAL GUARD AND AIR FORCE RESERVE

I understand that Air National Guard and Air Force Reserve flying units enjoy excellent pilot retention. I also understand there is a long waiting list of applicants for pilot positions in the Guard and Reserves.

Can you tell us why that is?

General **Hickey**. I think the reason that they draw is two-fold. Number one, we have upgraded the quality of machinery that the Guard and Reserves have tremendously; so now a young pilot who is flying F-16's on active duty can go out and go fly in the airlines, which is really kind of doldrums in terms of flying, and get good money; and for enjoyment, he can go to a Guard or Reserve unit and fly the F-16's on weekends and pick up another $20,000 a year. That is a neat deal all the way around. So it does not surprise me that they are standing in line to do that.

Senator **Glenn**. What is your rating now? I do not want to get into a lot of this because we have separate studies on it, I know, but how do you rate them now? How efficient are Guard and Reserve units? Are we able to go right to war, for instance, if we had to do that?

General **Hickey**. Absolutely; particularly the flying units, the fighter squadrons. As you know, we have an extensive IG ORI testing process. I have a few that are in conversion where they are converting from F-4's to F-16's now. But those that are through the conversion process are combat ready in their units, which are the vast majority of them. Every one that is not in conversion are always combat ready.

Senator **Glenn**. Are there any missions that should be assigned, should be taken away or, in effect, transferred out of active full-time units and given to Guard and Reserve? Are there any other functions there that we could transfer, since they do not seem to have some of the retention problem?

General **Hickey**. We have had significant transfers already occur, sir. If you look at the balance of the force structure, how much we retain on active and how much we put in the Guard and Reserve, and you consider the fact that even though those Guard and Reserve units are combat ready and raring to go, their normal get-ready-to-go time is about 72 hours in conflict. In the active duty, the first squadrons are gone between 12 and 24 hours.

So there is an impact, and there is also an impact on the total force structure and how much you can transfer from active forces to the Guard and Reserves. We have pushed that, we think, to the hilt in terms of maintaining a total military force.

Senator **Glenn**. You mentioned the attractiveness of flying to some of the people in the Guard and Reserve, and I think that is a very basic factor in their wanting to do this and I think you are absolutely right on that point.

One of the suggestions I have heard in the past, some from Air Force pilots as a matter of fact, is that the Air Force should consider a dual career system for pilots. I am sure you have been made aware of that or heard talk about that one or maybe even considered it.

Under such a system, some pilots could elect a fly-only career basically. In other words, choose to be pilot specialists. Other pilots could elect a more general track. They would be pilots but they at some point would enter a management track to become pilot generalists.

Have you ever seriously considered such a system, since we are having trouble retaining pilots?

PILOT ONLY CAREER

General **Hickey**. Yes, sir. We are just completing the process and have a report back to DOD coming up, I think, by the end of this month, which is one more time a review of a pilot-only career.

I think the way that it is going to come down is as it has similarly in the past. We are so small now in the active duty pilot force in terms of cockpit and growth capability and in terms of experiencing new people coming in, and so restricted in replenishing the pilot inventory, that if you filled those cockpits with people who just stay in them and fly, you cannot continue to maintain the pilot inventory.

In order to have the flexibility that we need to respond to any kind of a conflict or any kind of a change in management approaches that are going to occur, we can allow people to stay and fly for an extended period but it is a very, very small stream, and we would not be able to, nor would we intend to, write some kind of a written contract with those individuals saying you fly only.

I can do a fairly good job of having them fly only and then rotate into and out of operational only fields where they write the FRAGS or control the operations at numbered air forces and headquarters and things, but I cannot keep them all in the cockpit.

Senator **Glenn**. Admiral, have you ever considered that in the Navy?

Admiral **Edney**. Yes, sir. As you may be aware, sir, we have an aviation duty only program which was instituted 2 years ago. Our experience with it is that we are not overly enthusiastic about it the way it is operating right now, and are looking at some variations.

The first year we had approximately 125 people enter the program. The problem right now is the individual in this program cannot qualify for command of any aviation unit. So, literally, the intent was to fill in the shortages that we have in the training command with those people who did not want to do all of the other growth parts of an officer's career the broading that would lead you to compete for flag or the senior captain positions in the Washington headquarters area.

That has been historically a problem when we have a shortage like we do now, short 1,100 pilots. We have difficulty filling the training command seats. The idea was to find people that were comfortable with just flying aircraft and not competing for the full officer development program and to let them fill those seats so that we could put the tactical aviator into PG school or these other development processes.

However, you run into conflict with the primary purpose, you are a Navy officer first, and your subspecialty is to fly airplanes or drive submarines or drive ships. That quality and that competitiveness and the willingness to go after those tough jobs is the image that we want in the aviation community as well as any other officer community.

As you know, we have also had in the past successful LDD programs for flying, where we bring qualified people up through the ranks and through selected modified NAVCAD type programs that might meet the requirement.

Looking into an aviation only duty program was driven by the fact that we were having difficulty getting our aviators into expanded fields of officer development.

Senator GLENN. General Ono, I will ask you this same question in a moment.

MARINE CORPS PILOT RETENTION

General Hudson, why do you figure you have better retention with the Marine Corps pilots? You have that same carrot out there of high pay that the airlines are offering and the same qualified pilots the Navy has. You go through the same flight training, the same everything.

Why do you not have the same retention problem?

General HUDSON. Senator, I think that our retention rates are probably comparable, but we have a less severe problem because of our officer structure. We have a lesser requirement in the field grades for aviators, I think, than do the other services.

So that with a comparable retention rate, say, to the 11th year, and we measure a cumulative retention rate from the 6th to the 11th year, we would require fewer of our aviators to remain on active duty beyond that period of time.

Senator GLENN. General Ono.

General ONO. The largest group of aviators that we have are helicopter pilots, and the other group, of course, are fixed wing propeller pilots.

There again, we find that the airline industry is after the jet-qualified pilots.

Senator GLENN. Do you have any problem with your jet-qualified pilots staying in?

General ONO. We do not have any, sir.

Senator GLENN. I thought you had a few jet-qualified pilots in executive jets and things of that sort. You do not have those?

General ONO. No, sir. We use the Air Force's.

[Additional information follows:]

RETENTION OF JET QUALIFIED ARMY AVIATORS

However, the Army and Air Force recently reached an agreement permitting the Army to purchase and operate two C-20 (Gulfstream III) aircraft. Efforts are ongoing to finalize necessary memorandums of agreement/understanding to facilitate inter-service support and operations at Andrews Air Force Base where the aircrafts will be stationed. Plans are for the Army to assume the operational mission on/about 1 August 1988.

The Army is in the process of affixing a three year service obligation to pilots obtaining transitions to fly the C-20. This will eliminate any near-term retention problems. Although our inventory of jet qualified pilots will be small, it is expected that the Army will have the same long-term retention problems found in the other services.

Senator Glenn. All right.

We are going to have to talk about this pilot retention issue.

Mr. Secretary, I guess I do not know whether there are any other options on this thing or not, the way we are going. It is a real problem. I know that. We want to work with you on this, and we may need to do some more study on it before we really come up with what is going to be the overall solution.

PAY RAISE

On the pay raise, last week the Committee on Armed Services received proposed legislation from DOD to carry out the administration's request for a 4.3-percent pay raise for military personnel. The legislation would also provide the President discretionary authority to allocate the 4.3 percent raise in basic allowance for quarters that would accompany a 4.3 percent raise in basic pay among the grades in other than an equal percentage basis.

Now, how do you intend to allocate the BAQ increase among the various grades?

Mr. Green. We have proposed and would plan to execute the 4.3-percent pay raise to include BAQ equally across all grades. We would not desire to target, if you will, the pay raise by grade. We do not think that is an effective tool, particularly considering that all members are, as you know, 11 percent behind.

Senator Glenn. Since BAQ is supposed to be set at 65 percent of national median housing cost but has actually eroded to about 60 percent of national median housing cost, do you intend to correct this by reallocating some of the basic pay raise into BAQ?

Mr. Green. No, sir.

Senator Glenn. Why have you not attempted to correct this BAQ shortfall in this amended budget submission, especially since Secretary Carlucci claimed adequate personnel compensation as a top priority? Should that have been included?

Mr. Green. The 4.3-percent pay raise would give a comparable raise in the area of BAQ. We did not feel that we had the funds to make up the current gap between the 15 percent and the 22 percent. We just do not have the extra money to do that.

Senator Glenn. The reason I guess we are a little suspicious—not suspicious. That overstates it. The reason I wonder is you asked, in the legislation, for Presidential discretionary authority to do that. If there was no intention to use it for any other purpose than straight across the board pay increase, why did the Defense Department ask for Presidential discretionary authority to allocate in ways that would not be on an equal percentage basis?

Mr. Green. I will have to get back to you, sir. I do not know.

Senator Glenn. Would the Defense Department be happy if we just removed that in subsequent legislation?

Mr. Green. I doubt it.

Senator **Glenn**. Can you get back to us as to what the opinion would be? Obviously, when you asked for that authority it indicates, or at least it would imply to me, that there is an intention occasionally maybe to use that.

If there is no intention to use it, then maybe that is an authority we do not need to give to the President.

I think a lot of people out there in the field would rest a little easier, perhaps, if they knew that this was going to be straight across the board.

Mr. **Green**. We want a 4.3-percent increase in basic pay. BAQ and BAS, sir.

Senator **Glenn**. Can you get back to us on that when you find out what the view is?

I know all the service officers here support the 4.3 percent pay raise, and I do to, but I have wondered if there are any other creative things we could do with that $2.2 billion that is associated with the 4.3-percent pay raise?

Have you considered any other way to apply that across the board that would be more advantageous to most of the people in the service now?

General Ono, we will start with you at that end now.

General **Ono**. No, sir. We have examined it, and what is in the budget and is proposed, appears to be fair. We wish it was more, but we understand the budgetary and fiscal restraints that we are under also.

Senator **Glenn**. Admiral, have you considered any other options how to use that $2.2 billion other than a straight across-the-board pay increase of 4.3?

Admiral **Edney**. First of all, our position is that the fairest way to do it for all of our people who are subjected to the delta in the cost of living is by the 4.3 percent across the board.

When you look at other options, if you were to consider something like dropping down to 3 percent or some lower percentage and applying an 8-percent increase in VHA or something of that nature, you are getting selective. We have looked at it, and depending on what percentage rate you go down, you would have to go to additional SRB bonuses in order to maintain your retention.

As an example, we estimate this year that if you went down to a 2 percent raise, we would lose, on a modeling program that we have, 10,000 sailors. In order to get those back, you would have to buy them back with SRB. That is unfair, because the rest of the sailors have the same burden.

So we are not in favor of incrementally adjusting the 4.3-percent pay raise.

Senator **Glenn**. General Hudson, have you considered any other alternatives?

General **Hudson**. Senator, I agree with the Admiral. The 4.3-percent pay raise across the board is the fairest way to apply this request for compensation.

As you know, some of the other ways target only those who are married or only those who reside off base, BAQ for instance. The members who reside in Government quarters do not receive any benefit from that. So the 4.3 across-the-board pay increase is our preference.

Senator Glenn. General Hickey.

General Hickey. Yes, sir, we have looked at alternatives of taking a portion of the money that is in the 4.3 and giving it to VHA or trying to pay for those things out of that portion of the pay.

Our conclusion has been that this year with what we did with the 2-percent raise last year and the fact that our people are now not only behind 11 percent from the private sector but they are also at about 1.6 percent in buying power that they are falling behind ECI, and that we just cannot afford to do that anymore.

So we are opting for the 4.3-percent pay raise.

One of the things that I am getting disturbed about and worrying about a lot is there is a feeling, I guess because traditionally we come over and asked for pay raises, it was outside the DOD budget and it was going to be an add-on. The people got into the mode of saying, well, you can absorb part of that, and it gave us problems when we did that.

I would just point out that we have already absorbed this year. It is in the 299.5, and any talk about absorbing, like the House Budget Committee is suggesting, is doubletalk. It is a second absorption, and I think we have already paid for it up front.

Senator Glenn. We used to take care of these things by supplemental.

General Hickey. Yes, sir.

Senator Glenn. Mr. Secretary, how about you? Did your office come up with any other options to the 4.3 that you considered?

Mr. Green. No, sir. We have looked at a wide range of options, and I would echo what General Hudson said. I think one of the most important things is that, everybody is behind 11 percent, if we accept that number, and we think that it is a pretty good number.

It would be patently unfair for those people who do not actually draw BAQ.

Senator Glenn. You do not mean it is pretty good. You mean you think it is a valid figure.

Mr. Green. Yes.

Senator Glenn. I did not want you to go into the record as saying you think it is good that we are 11 percent behind.

Mr. Green. I do not think we ought to ask military members whose pays have been capped for the last 6 years to solve the funding shortfall in BAQ by allocating some of that pay raise to BAQ. We have a number of people who by virtue of living in Government quarters never see their BAQ. So you would be taking it out of one pocket and sticking it in another.

I think it would also result in an offsetting reduction in overseas housing allowance.

Senator Glenn. I would not want anyone to think by the line of questioning or comments here that I have some other grandiose plan for which I would rather use the 4.3. I do not. I just wanted to make sure that you had your people thinking about this, at least, and to make certain that when we are spending $2.2 billion we are getting the best benefit for all of our people.

MORALE, WELFARE AND RECREATION

In October of last year this subcommittee had a hearing on morale, welfare and recreation programs of the military. The interest of the subcommittee was to stress the need for oversight at OSD level on the efficient management of these programs with emphasis on the operation of review generating activities on a businesslike basis.

Now, before the hearing I was dismayed to learn the Marine Corps Exchange Service, which contributes substantially to the Marine Corps MWR program lost somewhere in the neighbor of $20 million because of flawed investment practices. That is a loss of money that belonged to every marine out there.

I did not bring this up at the hearing in October because of the ongoing investigations at that time. They were under way at that time. We knew about it. We had private conversations back a few months ago regarding this to see what progress was being made.

Since then, the loss has been made public and has been reported. I am appalled that the Marine Corps Exchange Service could lose $20 million before anyone in authority knew about it, but I am sure you are aware of the problem now.

First, I would like to ask General Hudson what the status of the situation is and where we stand with it at this time, and then ask you, Mr. Green, if you are aware of this problem and what steps your office has taken to make sure something like this will not happen in the future, not just in the Marine Corps but in the other services.

I think this has been an area in which perhaps there has been a little laxity that we can tighten up on.

General Hudson, what is the status of that?

General HUDSON. Senator, as I know you are aware, sir, the exchange system does not at this time come under the Deputy Chief of Staff for Manpower.

Senator GLENN. Let me add one thing just to be careful. I know there is an ongoing investigation, and I am not asking you to say anything that would interfere with that or which would prejudice anything going on in that case. I know it is ongoing.

So go ahead with your testimony.

General HUDSON. I was going to be careful, sir, not to address the ongoing investigation you had just mentioned. What I was going to mention that is also ongoing is a complete restructuring of our MWR programs which will combine the Marine Corps Exchange System with our other MWR programs. This whole MWR system, then, will come under the Deputy Chief of Staff for Manpower. That is proceeding at a pace that is on schedule, and this fall we will see the first combining of those systems at Quantico, where we can watch it very carefully.

Senator GLENN. What are you doing now with regard to this problem escalating. Just changing the box on who reports to who does not correct the problem necessarily. Are you overhauling this system to make sure there are checks and balances and audits so that this cannot happen again?

General HUDSON. Yes, sir, we are, significantly, because the club system, for instance, which is another part of MWR, could possibly be susceptible to the same sort of a loss. It was not, fortunately, but the club system and the exchange system will all be part of the new MWR program, and the accounting and checks and balance devices that are being built into the entire program we sincerely believe will preclude any sort of loss like that again.

Senator GLENN. Have you kept the Secretary's office fully informed of what you are doing, because it would be his responsibility to see that lessons learned from this get out to everyone. If the other services have not been involved with this problem and do not know what is going on or what has happened, they should be. I hope you are informed and taking action to make sure it cannot happen in your respective services. Mr. Green, it is your responsibility to see that that happens. Are you being kept fully informed?

Mr. GREEN. We have been briefed extensively on this particular problem and in general about the oversight of these kinds of activities.

Senator GLENN. Is there going to be any new militarywide or DOD-wide regulations promulgated or new procedures that all the services have to adhere to that can prevent anything like this happening in the future? What do you plan to do?

Mr. GREEN. Sir, if I could just backtrack for half a second to your earlier statement about the review of the MWR program. As you know in August of last year we put out an MWR reassessment plan. We have issued guidance not just dealing with clubs but dealing across the board in the MWR area.

We issued guidance to the military services in January of this year which is currently being staffed. They are reorganizing their MWR activities into four categories. We have indicated to them the necessity for reduced appropriated fund support for revenue-generating activities and, as you know, we have capped the appropriated fund support for those activities in 1988 at slightly over $1 billion.

Now, with respect to the specific problem in the Marine Corps, I will not go into the personnel actions that are being taken by the Marine Corps nor the dealings with the Justice Department, but concurrently we requested that the DOD IG review all the services' nonappropriated fund investments to determine if the potential existed for similar kinds of problems in any of the other services.

The DOD IG has provided us with an interim report. They briefed me and my staff last month. They found that in almost all central funds there were some shortfalls in the internal documentation, but let me say that this was a preliminary check.

They indicated they were not in a position yet to detemine——

Senator GLENN. Not necessarily money missing out of all these accounts. This is just shoddy documentation.

Mr. GREEN. No, no. These are bookkeeping things; leaving files on a desk when they ought to be put in a file cabinet and things like that, other discrepancies like initials on forms. These were administrative documentation issues.

The IG inspection teams indicated that they were not yet in a position to determine whether DOD needed to revise their policies, but they would complete their review in the early fall of this year and then we will make whatever decisions are necessary.

There was nothing uncovered like what occurred in the Marine Corps exchange system.

Senator GLENN. Will you keep us informed as that progresses, because we do not want to see this happen again. The committee is interested in following up on this.

Mr. GREEN. Yes, sir.

Senator GLENN. So if you could let us know when that report is completed, we would like to talk to you about it.

Mr. GREEN. Yes, sir, I will do that.

Senator GLENN. I understand the military services are about to consolidate alcoholic beverage sales under the exchanges. Can you tell us what the benefits are of doing this? Will this get a better return for MWR dollars?

Mr. GREEN. Well, we think that is so, but, if I could, let me get you something for the record. I am not prepared to speak in any detail about it.

General HICKEY. The Air Force and the Army have been working for the last several months to build a proposal to present to our AAFES internal structure our Army/Air Force exchange service, which would propose to turn class 6 stores over to them for their operation.

The profits would be, we think, through their centralized distribution and buying system, they can do the same job and do it a little bit more efficiently than we might be able to, which would generate more MWR monies for the troops and for the installations that are there.

Senator GLENN. I am not quite sure how you are going to generate more funds by just changing who administers it unless you are out there promoting this and trying to sell more alcoholic beverages, which I am not really in favor of.

General HICKEY. No, sir. We are not interested in increasing alcohol consumption, either. The issue is with a distribution system in central buying, you can reap great benefits in efficiencies dealing with major distributors.

AAFES has an infrastructure and a distribution system already set up. The way an awful lot of our class 6 stores work now is they buy locally from whoever the local distributor is, and they pay whatever the going rate is locally. You can do some great savings in mass sales and mass buying by doing centralized buying. It is very efficient.

Senator GLENN. More efficient buying rather than promoting consumption?

General HICKEY. No, sir, we are not trying to use their advertising to increase consumption at all.

Senator GLENN. General Ono, what is your comment on that? Do you expect to get more revenue?

General ONO. Yes, sir, through greater efficiencies. The goal is not to promote more alcoholic beverage sales but just to be better at managing it.

Senator GLENN. Admiral, how do you do that in the Navy and in the Marine Corps? How does that work there?

Admiral EDNEY. We have converted to the same type of system that General Hickey described for the same reasons, efficiencies in centralized buying so that you get a product at a cheaper price to sell. We are not increasing in any way advertising in alcohol sales.

Senator GLENN. Mr. Green, the issue of privatization of commissaries has come up again, as it always does, and we are off on a real privatization kick with this administration. They have studies going on regarding the privatization of the Coast Guard and National Institutes of Health, Amtrak, a whole host of things that are being studied for privatization. One of those I understand that will once again come up is the commissaries.

Now, I think there was a study done a few years ago that showed that commissaries could not be privatized without increasing the cost to military consumers.

What is DOD's stand on this?

Mr. GREEN. Well, we have had a long history of privatization of commissaries or rather particular functions within commissaries. Today, in fact, the majority of our shelf stocking operations are contracted out.

This year, the Air Force under A–76 will look at contracting out warehousing and some receiving functions.

In 1983 the Army conducted A–76 studies at Fort Leonard Wood and Yuma Proving Ground and determined, in the first case, that it would not be more efficient to contract out the commissary at Leonard Wood.

We tried it at Yuma, did it for 3 years, and canceled the contract by joint agreement between the Army and the contractor. We found that it was not a feasible operation.

There are some who would question whether we have given it a fair shot, whether those people who would wish to take over these contracts had really been given a free hand in the management of the operation. Because we are confident that an objective analysis and a detailed review will only demonstrate that the current system is good, we have agreed to continue to study this issue.

Senator GLENN. How about exchanges? Same with the exchanges?

Mr. GREEN. What OMB has agreed to do is wait until they see what the test results of the commissary contracting-out tests are. They have not yet directed us to look at contracting-out of exchanges.

Senator GLENN. Then the jury is still out on whether you are going to propose privatizing of exchanges; is that right?

Mr. GREEN. Absolutely. Yes, sir.

Senator GLENN. That study is going on, then, is that correct?

Mr. GREEN. No. We are working with the services. Now in the case of the commissaries, we are working with the services and OMB to structure the test so that it is totally objective and will avoid any buy-in, if you will. Obviously, our ultimate objective and concern remains that of preserving the compensation benefit for our military members.

We are very sensitive to a very fair and objective test.

COMMISSARIES AND EXCHANGES

Senator GLENN. Do any of the services want to comment on commissaries or exchanges or any of the experiments being done?

[No response.]

Senator **Glenn**. What was the Yuma experiment? Was that Army?

Mr. **Green**. It was Army. Total commissary operation ran from 1983 to 1986.

Senator **Glenn**. The exchange was not included in that?

Mr. **Green**. No, that was just commissary.

Senator **Glenn**. General Ono, do you want to comment on that one?

General **Ono**. No, sir, I think it was covered fully in my statement.

Senator **Glenn**. Fine.

4-CATEGORY MWR SYSTEM

In hearings last year, Mr. Green, General Lukeman described the four MWR categories you had in your plan, ranging from those mission-supporting activities that should be fully supported by appropriated funds to those that should be self-sustaining.

It seems it would save us some time if you could maybe boil those categories down a little bit, would you please provide for the record how you would set up MWR activities in three categories if you were required to do so?

Mr. **Green**. How we would break the four into three?

Senator **Glenn**. Yes. I think some work has been done on that.

General **Hickey**. Sir, on that categorization thing, I would like to make a plea on behalf of the Air Force and, I think, on behalf of my other brethren here that if we are going to try to do something like that, we have built ourselves kind of a problem.

That is, for the last 2 years we have had massive changes in the MWR business. In 1987 they had metropolitan areas, and you may recall last year at the hearings that caused all kinds of discombobulations.

As a result of that, DOD responded. They put together a four-category system which the Congress just passed about 3 months ago. We are still writing the regulations and the DOD directives to put that thing into operation.

Some parts of it are very, very traumatic for our bases out there, but it needs to be done, and they are working at it.

I would just like to make a plea that we not make any wild alterations where a whole category would disappear 3 months after we just passed a law. There is no logic yet. There is no analysis of why you would take away a category. There is no track record because we have not even gotten it implemented.

I think we need a strong plea and your strong support from this committee and from those folks in the House who would again make another change that is illogical in our view. We are just not giving people out there in the field a chance to ever manage this process.

Senator **Glenn**. No, I do not disagree with you, and we do not want to cause any more of a ruckus than has already been caused.

Some of the people in the House, though, have proposed some changes in this area.

General **Hickey**. Yes, sir, and I do not know why.

Senator GLENN. What I want to do is to get DOD's view on this as to whether you think the way the House wants to go is good or bad, or would you rather stay like we are now with the four and possibly settle down on something like General Hickey suggests.

Mr. GREEN. I think we would rather settle down, but we will certainly respond to your question.

Senator GLENN. Give us your views on its anyway. We would like to have that for the record, if you will.

[The information follows:]

CATEGORIES OF MWR ACTIVITIES

A letter sent from the Assistant Secretary of Defense (Force Management and Personnel) to Senator Glenn on April 4, 1988 (attached), discusses Mr. Green's position concerning the suggestion to reduce the number of categories of MWR activities from four to three.

In that letter, Mr. Green states that the report, originally submitted to the Congress on August 10, 1987, proposed the four categories and capped the amount of appropriated funding for MWR operations. The policy recognized both the need for support and the need for fiscal restraint. That report was approved in the FY88 DOD Appropriations Act, signed by the President on December 22, 1987.

In the ensuing months, the Secretary provided guidance to the Services to implement the report. Mr. Green states that we are now well along in making necessary and substantial changes in policy at the working level in all four Services and it would be most appropriate to continue that process at this time.

ASSISTANT SECRETARY OF DEFENSE,
Washington, DC, April 4, 1988.

Hon. JOHN H. GLENN,
U.S. Senate, Washington, DC.

DEAR SENATOR GLENN: At the hearing before the Senate Armed Services Committee on March 24, 1988, you discussed the Department of Defense (DoD) morale, welfare, and recreation (MWR) reassessment report submitted to Congress on August 10, 1987, and asked for my position regarding a suggestion to reduce from four to three the categories of MWR activities contained in that report.

The August 10 report was a result of many months of interservice and Service/OSD effort to develop procedures to conserve resources, support programs that result in retention, morale and fitness, and gain congressional support. Among other things, the new policy placed a cap on appropriated fund support for MWR operations in unique recognition both of the need for that support and the need for fiscal restraint.

The FY88 DoD Appropriations Act, signed by the President on December 22, 1987, approved MWR funding authorizations proposed in the August 10 report. In the ensuing few months, the Secretary provided guidance to the Services to implement it. We are now well along in making necessary and substantial changes in policy at the working level in all four Services. It would be most appropriate to continue that process.

My understanding of what appears to be the major reason for reducing the current four categories of MWR activities to three would be to limit, much more significantly than we believe is desirable, appropriated fund support (APF) for clubs and messes. I have reviewed that part of the MWR reassessment report we submitted last August. The section that discusses military clubs is factual and, in my mind, persuasive in its logic that certain appropriated fund support for the clubs is a good investment. The report proposed, and we are implementing this year, a level of appropriated fund support for clubs that is 20 percent lower than in FY87. The remaining support, about $160 million, is justified as follows:

Membership in military clubs promotes institutional values. There are numerous uncontroversial benefits in doing so, but one cost of promoting those values is to limit patronage in each part of the club system. Officers' messes are established exclusive of enlisted members and, where warranted, noncommissioned officer clubs are separate from clubs for other members of the enlisted force. This separation meets the military need for appropriate order and discipline, where on-base social contact is not permitted to blur the overriding need for a chain of command and clear authority. As a result of the limited patron base, the ability of military clubs to generate profits in the same way that similar private sector activities generate profits is severely restricted. The general public cannot drop in and spend money, a condition that poses substantially different management challenges from those faced by a private sector business. To attempt to offset this disadvantage (limited patronage), many club systems charge dues, command-sponsored functions are often held in the clubs to increase patronage and income, and other unique income-producing techniques are emphasized. But even with that emphasis, appropriated fund support is required to keep the system working.

The club system also provides a backup to base dining facilities both in peacetime and, most significantly, in the event of mobilization. It would be inefficient to build dining facilities large enough to meet mobilization requirements. The open messes are the backup. They provide the facilities and space that would be needed in mobilization and also provide a training ground and rotational base for food service personnel where they can practice and improve their skills. In the case of the Navy and Marines, these positions provide ship to shore rotational billets. For all Services, military personnel working in the clubs are an integral part of support for war plans.

Club facilities also are used for a wide range of events to support community relations and to support the military mission. It is common, for example, to use club facilities for such activities as civilian/military joint working meetings (e.g., chamber of commerce; special committees to work out solutions to mutual needs and issues); meetings with local and visiting groups who are touring the installation; breakfast, lunch or dinner meetings with members of the private sector having official business aboard the installation; and frequent military-only meetings where the club facility is most convenient, accessible, or otherwise appropriate. Club facilities always are considered to be part of the installation's overall capability to provide adequate space to meet organizational requirements.

I believe we should settle in on the system proposed last year and established in the FY88 Appropriations Act. It is responsible, effective, fiscally conservative, and sets a standard. Changing it again, now, would signal our people that we are not as deeply convinced of the value of MWR as in fact we are.

It has also been suggested that it would be appropriate to phase out much of the support for the clubs over a period of a few years. For the reasons listed above, our judgment is that the present level of appropriated fund support, reduced 20 percent from that in recent years, is correct, and a decision to terminate that support over a period of years would be equally damaging to the system and its purposes.

Thank you for the opportunity to provide my views in this important area.

Sincerely,

GRANT S. GREEN, Jr.

Senator GLENN. General Ono, the Army has been working for some time to develop a structure for responsible oversight of MWR activities.

Would you tell us about that effort, how far along it is and when you are going to complete it?

General ONO. Yes, sir. The major effort is to follow the OSC's rules in regard to categorizing the various activities on the revenue generating side, we are examining activity by activity to determine if it should continue to be run at the installation or should be centralized.

One of the areas, as we stated earlier, is the package beverage store arrangement. In that particular case, we are coming to the conclusion, although the study is still ongoing, to turn that over to the exchange.

Senator GLENN. Fine. Keep us advised on that, too, as to the outcome.

SCHOOLS OVERSEAS

Mr. Green, you have an office that was mandated by the Congress to oversee matters relating to schools and so on, particularly overseas, the Office of Assistant Secretary of Defense for Family Support, Education and Safety.

We have things that are brought to our attention from time to time. For instance, there is a March 11 report by DOD Inspector General on an unsatisfactory condition at the Bechtel Elementary School. That is a school in Camp Meturious, on Okinawa.

General Hudson, is that the way to pronounce it?

Well anyway, the gist of the problem is inadequate custodial service, supplies, inadequate utilities, real property maintenance, no student meal program. It stemmed apparently from the inability of the Air Force and the Marine Corps to settle on an interservice support agreement. That disagreement has gone on for over a year while apparently the kids languish.

I understand actions are under way to take care of this now, but what are we doing to make sure that that does not happen again in other places around the world? Are we looking into that? Why did the command not report this uphill? Why was something not done about it before now?

I guess I should start with the Marine Corps and the Air Force on this.

Mr. GREEN. It was never reported up. It was fighting between the local commanders. I can take you back to 1975 and the gory history of how it got started, but suffice to say we have reached agreement. The Air Force has agreed to support that particular facility through the end of this fiscal year.

We have had informal communications with the Marine Corps, and based on our general rule of thumb that the predominant service will be responsible for supporting of DOD school, in any given location, it appears that we will have the Marine Corps take over the support for that school at the beginning of the next fiscal year.

Senator GLENN. What happened on that, General Hudson, General Hickey? Do you have any information on that? Why did this become a problem that went on for over a year? Why was it not kicked uphill so that DOD could decide or allocate money or do what had to be done to get the thing in order?

General HUDSON. Senator, I cannot answer that, because at the present time DOD schools are managed by the Deputy Chief of Staff for Training, and I am ignorant of this problem. I can give you this information for the record, sir.

General HICKEY. I also will have to answer for the record, sir.

[The information follows:]

BECHTEL ELEMENTARY SCHOOL

General HUDSON. Bechtel Elementary School opened on November 16, 1987, as a replacement for seven temporary buildings. When the new school opened, the Air Force, which provides the DODDS custodial support for the region, would not extend this support beyond November 30, 1987. Additionally, the Air Force did not take action to procure food equipment to prepare student meals and did not notify DODDS or the Marine Corps that no action was taken. Lack of proper eating facilities and unsanitary conditions caused curtailment of all afternoon classes.

An immediate solution was effected by the DOD Inspector General who, after investigating the problem recommended the Air Force provide services to the school until final resolution is made. The Air Force agreed on February 11, 1988, to immediately provide logistical support until the end of fiscal year 1988.

A long term solution has not yet been determined. The Marine Corps has requested that the issue be an agenda item at the Dependents Education Council Meeting on May 19, 1988. The Council provides direct contact and discussion among senior representatives from each of the military services, senior DODDS personnel, and

DOD personnel representing the Assistant Secretary of Defense for Family Support, Education and Safety.

It is unfortunate that the problem escalated to a level where the children's safety and education was affected. We will make certain that a final, long term solution is in place before the end of fiscal year 1988.

DODDS SCHOOL

General HICKEY. The problem centered around the interservice support agreement designating who was responsible for the logistical support for this new school. The Air Force currently provides support for existing schools on Kadena Air Force Base. The Bechtel school, however, which officially opened on 16 Nov 87, was a new school being built to support a buildup of Marine dependents, an overflow of other Service dependents, as well as other dependents on Okinawa, Japan. Since it was not located on Kadena, but rather on the Camp McTureous Marine Corps Base, the Air Force believed support should be assumed by the Marine base. On 11 Feb 88, the 313th Air Division at Kadena initiated a change to the inter-service support agreement to immediately provide required support on an interim basis through the end of Sep 88. The ultimate resolution of responsibility for logistical support will be resolved prior to the end of the fiscal year.

Senator GLENN. Okay, fine, if you would, because there may be other places around the world where the same kind of fuss is going on at a jointly supported school, and if that is occurring and if a program is being neglected and the kids are having to pay the penalty for it, that should be kicked uphill to DOD immediately.

Mr. GREEN. In this particular instance, again, it was local commanders arguing, and in the meantime the garbage was piling up. In this case, that has been fixed.

RECRUITING

Senator GLENN. On recruiting, the 1989 budget for DOD contains $162 million for recruit advertising. Various allocations among the services are: $81 million for the Army, $15 million for the Navy, $14 million for the Air Force, $15 million for the Marine Corps, and $35 million in general for joint advertising.

What is the basis for this? Is there a rationale for this or an overall recruiting plan that you put together for all the services? Does each service have its own route they take independently? How do you do this? That is quite a lot of money, $162 million.

Mr. GREEN. To answer your last question first, yes, certainly each service has their own recruiting plan, and the joint recruiting advertising program has its own plan.

Our position on joint advertising has not changed. We think that there are a number of things which can be done more efficiently by doing them for the entire recruiting advertising community.

We do things associated with the Montgomery GI bill. We print a magazine that goes out to all potential high school graduates. We oversee the placement of certain advertising to ensure that we do not oversaturate markets. We purchase lists of high school graduates which we then provide to the services.

The basis for the increase in the joint advertising emanated from a Wharton Center study which said we could do some of these things less expensively.

As a result, advertising, the overall recruiting budget was cut somewhat. Subsequently, because the services did not like losing money out of their own recruiting budgets and having it go to joint, we asked RAND to take another look at it.

RAND does not necessarily concur with the Wharton hypothesis that joint advertising can be increased and service budgets decreased without a loss in recruiting effectiveness.

We are ready during the 1990–1994 POM review to look at advertising programs but believe that there are some things that just make sense to do jointly, particularly when the Congress has reduced our recruiting budget by 25 percent.

Senator GLENN. Gentlemen in the service, I now you are not happy with recruiting moneys. But, let me put it this way, is it satisfactory to do the job?

General Ono.

General ONO. Sir, we are spending less on recruiting than we did in the previous years, and as Mr. Green testified, the first signs of trouble are starting to emerge.

The leading indicator is on the enlistment contract rate for your toughest category, which is bright high school graduates, male and female. We find that our rate is down 15 percent from last year's figures. That is an indication, Mr. Chairman, that we are going to be in for some tougher times.

Senator GLENN. That is a pretty good size fluctuation.

General ONO. Yes, sir, it is.

Senator GLENN. Is that real? Have you seen fluctuations like that before, or is that a real plummet?

General ONO. There have been fluctuations before usually as a result of economic changes. Today, not only is the population dropping and the economy improving but we have also taken a number of reductions on the recruiting front.

Senator GLENN. Admiral, are you running into the same situation?

Admiral EDNEY. Yes, sir. We have seen evidently what is the precursor of what has been predicted on the demographics, but we did not meet our new contracts requirements for January and February for the first time in over 3½ years.

I want to say up front that it is a combination of internal as well as external pressures on how we adjust to this very difficult budgetary environment.

We in the Navy believe very strongly that we need to be on TV with service-unique type of advertising. The difference is we went out and scraped up two data points. Two years ago Secretary Lehman reprogrammed about $14 million and put it into advertising, and he put additional recruiters in the field. The object at that time was to get the high school degree graduates in which the Navy was lower than all other services back up to the 90 percent level.

That input of advertising and recruiters in the field accomplished that. We got above 90 percent high school degree graduates in the last year.

Senator GLENN. What is your analysis of the joint advertising? Is that doing you any good, or would you rather have it service specific?

Admiral EDNEY. Our analysis is that the joint advertising, while it has a place, does not bring in a recruit. We were on 6 weeks of television time during the Winter Olympics. We did that to try to get a measure of it. The telephones were ringing off the hooks for our recruiters around the country.

Joint advertising does not bring any direct contact. It brings an awareness that it is a good place to make a start, but you still have to make a decision, and you still have to get down to the details of one of the four services.

We can tie in 40 percent in the officer recruiting and 25 percent in the enlisted recruiting return from contracts as a result of unique service advertising.

Senator GLENN. General Hudson, are you experiencing this 15 percent drop like the others?

General HUDSON. No, sir. In high school graduates, no sir. We, as of the end of February, are at 94.5 percent high school graduates in our non-prior service recruits. I agree with Admiral Edney with regard to service-specific advertising being more effective in most cases than joint advertising.

Senator GLENN. General Hickey, has yours gone down any?

General HICKEY. No, sir. But you have to understand we are in a unique situation this year. We are only bringing in 40,000 new recruits compared to 62,000 2 years ago and 55,000 last year.

So we will see it next year when we get our strength down and ingested and we level. That recruiting task is going to bounce back up into the mid-1950s. So if there is a problem out there, it will probably take until then before we start seeing it and react.

Senator GLENN. In the past when you have had fluctuations with the Army or the Navy, have your recruiting problems followed after just a short time delay? Are they the precursor of problems for you, too, or how do you see this?

General HICKEY. They can be. It depends on the severity. When we really go into serious severe times, like in the late 1970s, I think they hit the problem earlier and with more crunch.

Senator GLENN. I was wondering if your curves generally follow but just lag behind when you have ups and downs in recruiting difficulties?

General HUDSON. I believe, sir, that we are just on the brink of a much tougher recruiting environment.

General ONO. I think you will find, Mr. Chairman, that history will show that the Army recruiting will be your bell weather in the sense that we have the largest numbers to recruit for one; and second, in comparison with the other services, the youth of America see them as more attractive than the Army because of the technical aspects of what they represent.

Senator GLENN. I will ask you to submit for the record information on the armed services vocation aptitude battery and some of the studies that have been done on that.

I know the Army has spent some money looking into that and has more studies planned. I do not want that to wind up being a black hole project into which we just keep pouring money.

We would like to have you get back to us on the record on that.

LITERACY LEVEL OF MILITARY PERSONNEL

Mr. **Glenn**. I also have a couple of questions from other Senators here, Senator Daschle of South Dakota has written to me to inquire about the literacy level of our military personnel.

I would like to give you a copy of that letter, Mr. Green. Senator Daschle raises some very interesting questions. He has been looking into this for some time and has an interest in it, and we would like to have you respond to that so it would be part of the record. We will make certain that that response also gets to Senator Daschel.

[The information follows:]

Linking Recruit Quality to Job Performance

Senator **Daschle**. Mr. Green, the military services recruited a very large proportion of low scoring individuals in the late 1970's and early 1980's because of misnorming of the Armed Services Vocational Aptitude Battery (ASVAB).

As a result of the misnorming, the DOD, with the encouragement of the Congress, initiated a special analysis of the relationship between ASVAB scores and job performance. The Committee just received the sixth annual report of this effort.

I understand that the Army alone, has spent over $24 million on this effort and expects to pour another $20 million into it with no end in sight. I also understand that the Army has collected and analyzed data on only nine military occupational specialties, the Navy for three ratings, and the Air Force for eight specialties. It seems to me we have a black hole project here that is eating up resources with no appreciable benefit.

Do you know how much the Department of Defense has spent on this project to date and what contribution this project has made to the combat readiness of military personnel?

Mr. **Green**. As part of the Joint-Service Job Performance Measurement/Enlistment Standards Project, the four Military Services have spent approximately $22.5 million during fiscal years 1983 to 1987, or about $1.1 million per year per Service. The $24 million you refer to in your question is associated with a much larger Army effort—Project A. Only a portion of Project A is associated with the Joint-Service Project. The Army's portion of the joint-service research has cost approximately $11.2 million over the past 5 years.

The primary purpose of the Project is to develop improved measures of job performance and to link enlistment standards to that performance. The Services have developed accurate measures of individual job performance. These measures will be used to validate aptitude and educational enlistment standards against successful job performance instead of training performance. Results in the Sixth Annual Report to Congress show that lower quality recruits take 3 years on the job before their hands-on performance test scores equal high quality recruit scores at the end of 1 year. This relationship can be used to infer the impact of recruit quality on individual performance and unit readiness. The information can also be used to assess the effects of various budget levels on the quality of the enlisted force.

In 1983, the Committee on the Performance of Military Personnel was established within the National Academy of Sciences. Its charter is to provide scientific oversight of the Joint-Service Project and to render technical advice to DOD. In a 1986 report, the Committee stated, "The Joint-Service Job Performance Measurement/Enlistment Standards Project represents a landmark in the measurement of human performance. It is a demonstration project of unmatched scale and breadth of coverage. The Joint-Service Project is bringing to criterion research a degree of systematic, scientific attention that it has too seldom received."

The Joint-Service Project is scheduled to run another 3 years. The Project is developing job performance tests in selected jobs in each of the Services; cumulatively, most types of military specialties will be covered. Techniques to group jobs into clusters and to measure performance for "representative" jobs within those clusters will be developed. Methodologies to establish enlistment standards for the "representative" jobs will be necessary as well as techniques to generalize the enlistment standards set for the "representative" jobs to other jobs. Finally, techniques and methodologies that will enable the establishment of enlistment standards across all job clusters will be developed and validated.

JOB PERFORMANCE MEASUREMENT PROJECT

Senator **DASCHLE**. General Ono, Admiral Edney, General Hickey, and General Hudson. All of the military services have put substantial resources against this project. What benefit have you gained from it and do you believe it should be continued, and if so, why?

ARMY

General **ONO**. The Army funds a continuing program of research focused on how to make the best use of the personnel resources available to it. The cost of $24+ million referred to by Senators Glenn and Daschle includes much more than an analysis of the relationship between ASVAB and job performance in nine military occupational specialties. Examining the relationship of scores on the Armed Services Vocational Aptitude Battery (ASVAB) to actual measured on-the-job performance represents only a portion of this program. There are certain critical aspects of ability to perform in Army occupations which are not measured well by ASVAB: ability to adapt to life in the military environment, and ability to perform critical tasks requiring perceptual, psychomotor, and spatial skills. In addition, the current ASVAB does not take into account an individual's vocational interests. This program includes development of measures of these abilities and interests, and an analysis of their relationship to job performance as well.

It is inaccurate that the Army expects to spend another $20 million on this project, with no end in sight. In fact, the program is progressing on schedule, following a research plan conceived in 1981 in response to the congressional mandate, begun in the fall of 1982, and scheduled to conclude in 1991. The project has been carefully designed to provide useful data for Army implementation as early as possible, as well as to meet the highest scientific standards. Our first major implementation was a change in ASVAB composites in 1984. To ensure the project stays on track, it is reviewed and updated annually for Army needs by a General Officer Advisory Group and for scientific quality by an outside Scientific Advisory Group. Antici- pated costs of completion of the project from fiscal year 1989–91 are approximately $10 million.

There is also an apparent misunderstanding of the relevance and number of military occupations which are included in this program. The Army is collecting and analyzing data for 21 occupations, though hands-on task performance data are only available for the 9 occupations to which the Senators refer. Furthermore, while these are a seemingly small number of the over 260 existing entry-level Army occupations, they account for over 40 percent of annual Army accessions, and include a representative sampling of the broad variety of Army military occupations. Thus, results of research on these occupations will have wide applicability to all Army occupations, and preclude the need to undertake additional expensive, personnel intensive research on the remaining 200+ Army occupations.

NAVY

Admiral **EDNEY**. Since 1984, when Navy began its portion of the Job Performance Measurement Program, we have spent $.74M to complete analyses of three ratings (Machinist Mate, Radioman, and Aviation Machinist Mate) and to begin the analyses of four additional ratings. A design to generalize the findings from these seven ratings to all other ratings in the Navy is in progress. Navy's objective is to develop measures of job performance to validate the Armed Services Vocational Aptitude Battery (ASVAB) test standards against individual ratings. Based on the preliminary results of our study, we have found substantial evidence that the ASVAB is valid in terms of predicting job proficiency. We estimate the Navy effort will cost $2M to complete. This should be accomplished by 1990. The potential for application in other areas, such as in the Computerized Adaptive Testing—ASVAB Program, leads me to conclude that the relatively small expenditure is cost effective.

AIR FORCE

General **HICKEY**. The following benefits have been derived from the Job Performance Measurement Project within the Air Force. First, the job performance measurement technology developed will allow the Air Force to improve how we select and classify personnel using performance-based data. Job performance measurement data will also allow the Air Force to explore existing Air Force data (for example, promotion test scores) to validate the use of those data in lieu of the relatively expensive performance tests. And finally, the job performance measurement technology will allow the Air Force to evaluate and improve how we refine our training requirements.

The Job Performance Measurement Project has also provided us with criterion data against which to validate new predictor tests, evaluate new technical training initiatives, and important lessons in how to train people in evaluating job performance of airmen in a more reliable way. In addition, the project has provided a great deal of information concerning factors that affect job performance such as equipment, supervision, and manning issues. As a result of this project, for the first time we will be able to look directly at the relationship between training and job performance, since we now have valid, reliable measures of job performance.

In response to the question of whether the project should be continued or not, the Air Force position is that the original purposes of the project have been largely accomplished, however, most of the benefits derived from the project can only be brought to fruition through continuation of the project. In sum, funds have been programmed through fiscal year 1991 to support this project, and since obvious benefits to our classification and training systems will accrue, we favor continuation of the project, at least through fiscal year 1991.

MARINE CORPS

General **Hudson**. The Marine Corps has already established a strong quantitative relationship between ASVAB and job performance. The study should be continued because it will provide empirical data to set quality enlistment standards and justify recruiting resources. Additionally, this information will assist with improving the classification and assignment process by better measuring a Marine's aptitude and suitability for a specific job. This will also help to reduce training costs because of better screening and placement of recruits.

Literacy Levels of New Recruits

Senator **Daschle**. Mr. Green, could you comment on the literacy level of our military personnel?

Mr. **Green**. Today, recruit quality is at an all-time high, and the Department of Defense does not have a literacy problem. In the late 1970s, the services enlisted large numbers of low-aptitude individuals with serious reading deficiencies. However, since 1981, the average reading level of new recruits has increased. In fiscal year 1987, the average reading ability for enlistees was 10.3—well above the national average for civilian youth of 9.4. In addition, adult literacy experts generally consider individuals who read below the 5th grade to be functionally illiterate. There were no new recruits in fiscal year 1987 who read below that level. The following table shows the average reading grade levels for non-prior service accessions for fiscal years 1981–87.

AVERAGE READING GRADE LEVELS OF NON-PRIOR SERVICE ACCESSIONS, FISCAL YEARS 1981–87

	Army	Navy	Marine Corps	Air Force	DOD
Fiscal year:					
1981	9.2	10.0	9.9	10.4	9.8
1982	9.6	10.0	9.9	10.4	9.9
1983	9.9	10.2	10.0	10.6	10.1
1984	9.9	10.2	10.0	10.7	10.1
1985	10.2	10.2	10.0	10.7	10.2
1986	10.2	10.2	10.2	10.7	10.2
1987	10.2	10.2	10.2	10.7	10.3

Civilian Youth Population—9.4.

Senator **Glenn**. Do you have any general comments to make right now before you give us more detail on that in the subsequent report as to the literacy levels of the military personnel in general?

Mr. **Green**. I think the quality of the military is high.

Senator **Glenn**. I do not think that is quite a sufficient answer. We were to the point some years ago where we were practically putting out our instructions in comic book type fashion because of the lack of ability to comprehend written material. We had quite a program to overcome that.

Is that still a problem?

General Ono, how do you see it? Do you have a literacy problem?

General Ono. We have a literacy problem in our training. Where we have a lot of young soldiers, we still conduct basic skills education programs to get the reading levels and math levels up.

So that may be an indication of our schooling system also, Mr. Glenn.

Senator Glenn. I know we are running very short on time did you want to make one more comment, Mr. Green?

Mr. Green. I was just going to say that the average overall for DOD-wide is 10.5 years reading level. The Air Force is higher than that, above 11.

AIR FORCE COUNSELING PROGRAM

Senator Glenn. Another question Senator Symms submitted would question the Air Force counseling program, and I will read the note that he gave to me regarding this. He was not able to return after the vote. I will just read his comment.

> I understand the Air Force is beginning a program of transition counseling intended to help prepare retirees from the Air Force to compete for middle management civilian jobs. This 3-day course, as I understand it, includes classes on skills, assessment, resume writing and job interview techniques.
>
> With the severe budget cuts we are facing causing inactivation of air wings, involuntary furloughing of civilians and increased user fees for recreation facilities, do you think we should be spending taxpayers' money on this type of course?

General Hickey. Yes, sir, I guess, bottom line. In 1986 when I came into this job, I could see the handwriting on the wall. It looked like we were going to do a lot of force cutting, reductions, forced early retirements, forced separations.

So it seemed to me that we ought to look for a way to ease some of that transition for all those forced moves that I thought we might have to make.

There is certainly lots of precedent for it in the civilian world and private sector. It is done all the time. As a matter of fact, there are several very lucrative businesses who do that as their sole livelihood.

It is done in other countries. Other countries do it for their military, Germany, Britain and Canada to name a few.

Other U.S. Government agencies have already been doing it. The State Department, as a matter of fact, has a 90-day transition program for their foreign service officers.

So I asked my folks to develop a program. They ran a test last year by Drake Beemoore, which is supposed to be one of the national leaders in this business. It cost us $32,000, and we ran a session which was approximately 3 days.

We average about 12,000 retirements per year. It is not just for middle management jobs for officers. Fifty-three percent of those retirees who we have each year are tech and master sergeants, and we figure that about 50 to 70 percent of all the people who retire would be interested in a transition program.

Senator Glenn. I gather from what you are saying you are going to implement this program. How much will the total program cost?

General HICKEY. Right now, it looks like it would cost us, if we get a full scale go, it would be $3 to $4 million per year, per our estimates.

Senator GLENN. $4 million?

General HICKEY. Yes, sir.

Senator GLENN. That is above what I thought.

General HICKEY. The Canadians run their program for about $500,000 a year for 5,000 people.

Senator GLENN. Is the program intended for all retirees going out of the Air Force?

General HICKEY. Yes, sir. We would not say which ones could or could not get it. It is for retirees who have served at least long enough to retire from the Air Force and to help them in the transition and for anybody who is involuntarily separated. So a person who came in and served 4 years on his own volition, or 10 or 12 for that matter, would not be eligible for the program.

Senator GLENN. It is just voluntary for those going out?

General HICKEY. Yes, sir.

Senator GLENN. It is not required?

General HICKEY. No, sir. It is not required at all. As a matter of fact, the Canadians even have a 5-year program where anytime up to 5 years after you separate you can go back and take advantage of one of the courses when they are held.

We are in the process of trying to negotiate a contract. It is an open contract. It has been announced in the Commerce Daily News, as it is appropriately supposed to be, and the RFPs went out on January 29.

We have 12 firms who are showing some interest in the valuation process the beginning of this month, and we are letting it proceed routinely. We are not rushing it; we are not hiding it. We have briefed your staff.

Senator GLENN. He has several other questions that I would like to submit to you so you can get answers back to us in writing for the record.

How about the other services? Do you have similar programs for people getting out?

The Navy does not.

The Marine Corps?

General HUDSON. Yes, sir, we do.

Senator GLENN. You do have such a program. What is the extent of it? Is it a 3-day course, or something such as that?

General HUDSON. We have Employment Resource Centers, Senator, that work in local areas for separatees or retirees. They are colocated with Family Service Centers and provide a resource for the family members as well. It has been very productive.

Senator GLENN. Does this cost the people anything, or is it offered as a service to them as part of their separation procedure?

General HUDSON. It is a service, sir.

Admiral EDNEY. We have the same program as General Hudson described.

In fairness to the comments that General Hickey made, I have had several significant inquiries indicating that we should be doing more in this area, particularly when we get in the area of involuntary release from active duty.

Senator GLENN. General Ono.

General ONO. We have a transition program, and it links retention in the Army for those who are coming up on separations as well as retirement counseling.

If they are separating, we have an effort going on to recruit them for the National Guard and for the Army Reserve.

Senator GLENN. What I would like to do, I believe, is expand a little bit on this, since programs like this are in existence already.

I would ask you, Mr. Secretary, to coordinate this and get comments from all the services on what they are doing at this time; what the Air Force proposes to do; whether they are all the same or are there differences in the services and if you would get that together as a report from all of them.

I will advise Senator Symms that is what I have asked you to do.

Mr. GREEN. Yes sir, we will do it.

Senator GLENN. Senator Kennedy, a member of the subcommittee, also asked that several questions he has posed be responded to for the record. He did not necessarily want those asked today; just respond for the record. If you can provide answers to those, we would appreciate it, also.

Gentlemen, thank you. It has been a long session and we have another panel yet to come in. I do not know whether we are going to complete them today or not. This room has to be vacated by 2 p.m., I believe.

Gentlemen, thank you. We appreciate your cooperation and we look forward to working together with you over the next year.

Will you gentlemen of the second panel please come forward and be seated.

[Pause.]

Gentlemen, I am sorry that we have had to be this late. We had other hearings this morning, one starting at 9 dealing with classified material that we did not know we were going to have so we had to delay the first hearing until 10:30 a.m. Some of you were at another hearing anyway.

I am very sorry that we had to do it this way, but we will try and move as fast as we can through this, and I hope we do not have to have another hearing on the same subject. I appreciate all of you being here today, and I am sorry we have to do it this way.

We welcome you, and I understand you have come from the hearing with the Subcommittee on Defense of the Senate Appropriations Committee.

We have a very compressed time frame for our review of the amended DOD budget for fiscal year 1989 this year because the full committee had to start off the year with a lengthy and comprehensive review of the implications of the INF Treaty on defense. That was the subject of our classified meeting this morning which delayed our first panel.

Also, the Congress authorized a 2-year budget authorization for defense last year, so our focus this year is a little bit different. We are interested in the changes that are being proposed to the fiscal year 1989 program that was authorized last year and on oversight of specific issues.

Last year, the Congress authorized an increase in selected Reserve strength of 21,500 for fiscal year 1988 or 60 percent of the growth requested by DOD. This included a corresponding plus-up of 2,562 full-time active Guard and Reserve personnel.

Because of the uncertain budget deficit situation when the Congress took action on the defense authorization bill last year, the Congress straightlined the fiscal year 1988 strength authorization through fiscal year 1989.

As it turns out, the amended budget for fiscal year 1989 proposes a small increase of 530 in Selected Reserve strength, 100 of which is in full-time support personnel.

According to budget documents we have, there are no other substantive proposals to change what the Congress authorized for Selected Reserve manpower and personnel programs last year.

Thus, the focus of our hearing today will be on specific issues of program oversight.

I want to recognize our witnesses today. They are Hon. Stephen Duncan, Assistant Secretary of Defense for Reserve Affairs; Lt. Gen. Herbert R. Temple, Chief, National Guard Bureau; Maj. Gen. William Ward, Chief, Army Reserve; Maj. Gen. Donald Burdick, Director, Army National Guard; Rear Adm. F.N. Smith, Chief, Naval Reserve; Maj. Gen. J.W. Moore, Deputy Chief of Staff, Reserve Affairs, U.S. Marine Corps; Maj. Gen. John B. Conaway, Director, Air National Guard; Maj. Gen. Roger Scheer, Chief of Air Force Reserve; and Rear Adm. Paul A. Welling, Chief, Office of Readiness and Reserve, U.S. Coast Guard.

Gentlemen, I think we originally were scheduled to give up this room within the next hour, but I understand that has now been changed.

I understand that you had agreed to enter your statements into the record. I believe that was correct.

Is that correct, Mr. Duncan?

Mr. DUNCAN. We would be happy to do so, Senator.

Senator GLENN. Good. If you all agree with that, or if anyone feels they want to give their statement, fine. We will entertain that. I do not want to ace anyone out on that. Unless you have a particular desire to give your statement, we will enter them all into the record and ask Mr. Duncan to briefly summarize.

You can make comments on that afterwards if you like. Then we will move to questioning and then hear any closing comments you may have if time permits.

Mr. Duncan, go ahead.

STATEMENT OF STEPHEN M. DUNCAN, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS, ACCOMPANIED BY LT. GEN. HERBERT R. TEMPLE, JR., ARNGUS, CHIEF, NATIONAL GUARD BUREAU; MAJ. GEN. WILLIAM F. WARD, JR., USAR, CHIEF, OFFICE OF RESERVE; MAJ. GEN. DONALD BURDICK, ARNGUS, DIRECTOR, ARMY NATIONAL GUARD; REAR ADM. F.N. SMITH, USNR, CHIEF, NAVAL RESERVE; MAJ. GEN. J.W. MOORE, USMC, DEPUTY CHIEF OF STAFF, RESERVE AFFAIRS; MAJ. GEN. JOHN B. CONAWAY, ANG, DIRECTOR, AIR NATIONAL GUARD; MAJ. GEN. ROGER P. SCHEER, USAFR, CHIEF OF AIR FORCE RESERVE; AND REAR ADM. PAUL A. WELLING, USCG, CHIEF, OFFICE OF READINESS AND RESERVE

Mr. DUNCAN. Thank you, Senator.

Sir, I will try to be brief, and I thought it might be helpful in order for us to be able to spend maximum time responding to any questions the committee may have to just briefly summarize some of the developments that have taken place with the Guard and Reserve in the last few months, I recognize that you may have questions that go to budgetary items.

In quick summary, several developments have taken place. First of all, as you know, last October we had our first "no notice" exercise of the President's authority under 10 U.S.C. 673(b) to exercise his right to call to active duty 200,000 members of the Selected Reserve. We think that the results generally are very good. That exercise took place in October 1987. I can speak in greater detail about the exercise should you have any questions.

In fiscal year 1987, we also established the IRR screening policy. We have now gone through one complete yearly cycle of that search, something in the neighborhood of one-third of all members of Selected Reserve have been screened. The second one-third is scheduled for this next year.

That screening has had some very positive benefits, and we have required a lot of information that we needed. Some of the byproducts include use of the screening as a recruiting tool. We have been able to bring some people into the Selected Reserve after getting them out to their local Reserve Centers. I can talk about this development at greater length should you desire.

Another of the significant developments, of course, was the convening of the sixth QRMC, which for the first time is focusing on overall Reserve compensation. We have received an interim report from the QRMC, but the final report is not due until approximately June. I do expect several recommendations near the end of June from the QRMC.

Another more recent development occurred on March 3, when I released the results of the first comprehensive survey of the attitudes of members of the Selected Reserve. In 1986 we surveyed 52,000 enlisted personnel and 12,000 officers.

The reason I find this survey rather significant is because much of what we did in the way of managing the Selected Reserve in the past was based on intuition, and now we have rather good data that suggests to us what the Reserves think about. For example, their satisfaction with annual and weekend drills, their perceptions of promotion opportunities, their opinions on whether their training periods allow them to use their individual military skills, their perceptions of how their employers and their families respond to their service in the Reserve. That is going to be a very helpful management tool.

I would like to note for the record one additional matter relating to personnel. I am doing all that I can to encourage the Congress to focus on the Reserve Officer Personnel Management Act, ROPMA, this year. I believe that particular statute will give us the kind of management tool we need to have a good, uniform system for promotion. It will also allow the Department and individual Guard and Reserve officer greater ability to plan careers.

By way of brief summary, Mr. Chairman, I think it is fair to say that measured by several different standards on balance, the readiness of our National Guardsmen and Reserves has improved very significantly in recent years.

Having said that, and taking due credit for having done a lot of things right, I think we still have several challenges. I think we could summarize it by saying we have made a good start, but a great deal remains to be done. We are ready to tackle those challenges.

With that, Mr. Chairman, I have concluded. I will be happy to respond to any questions the committee may have.

[The prepared statements of Mr. Duncan, General Temple, General Ward, General Burdick, Admiral Smith, General Moore, General Conaway, General Scheer and Admiral Welling follow:]

STATEMENT OF
THE ASSISTANT SECRETARY OF DEFENSE
FOR RESERVE AFFAIRS

HON. STEPHEN M. DUNCAN

Mr. Chairman and Members of the Subcommittee:

I'm very happy to be here today in my first appearance before this committee as the Assistant Secretary of Defense for Reserve Affairs.

Under the Total Force Policy, we have increasingly based the national security interests of our nation on our ability to mobilize, deploy, and employ combat ready Reserve component units and members anywhere in the world. Today many of our military contingency plans cannot be executed effectively without committing National Guard and Reserve Forces in the same time frame as our Active Forces. This kind of reliance on our Reserve Forces requires that units of the Selected Reserve, especially the early deploying units, be manned and equipped at levels which make them ready for combat. This has been one of our primary goals and it will continue to be one of our most difficult challenges during this time of severe budgetary constraints.

Significant progress has been made in the training and equipping of the Reserve components as the size of our Reserve Forces has increased. I solicit your active support to ensure that we have the resources that are necessary for the maintenance of highly trained and ready Reserve Forces. I also solicit your support of legislation which will help us better manage the reserve officer force.

One of the most significant developments of 1987 was the convening of the Sixth Quadrennial Review of Military Compensation on January 1, 1987, as required by law. President Reagan, in his directions to the Secretary, stated:

> "I am particularly interested in the compensation of the Reserve components, which have an increasingly critical role in the defense of our country. We must provide our military services with pay and benefit programs that encourage large numbers of qualified men and women to serve in Guard and Reserve units.
>
> The price of this commitment is not small, but I want to assure the American people that it is no larger than the nation's security requires. Consequently, this quadrennial review should undertake a comprehensive evaluation of the benefits and costs of all reserve compensation programs."

Because this is the first review to deal with reserve compensation issues, we expect to see a significant number of recommendations in the final report.

This year we have again submitted a request for legislation which will provide a comprehensive revision to the Reserve Officers Personnel Act (ROPA), which was enacted in 1954. The legislation which we propose is entitled the "Reserve Officer Personnel Management Act" (ROPMA). The legislation will provide a visible, uniform, and improved officer personnel management system for reserve officers. It is closely patterned after the Defense Officer Personnel Management Act which was enacted in 1980 for the management of Active force officers. I will discuss this legislation in greater detail later in my Statement.

In the amended budget request for FY 1989, we also seek an additional 395 military technicians. Military technicians are, of course, civilian employees who provide full time support for administration, training and maintenance in selected reserve units. As a condition of employment, military technicians are required to maintain their status as drilling reservists in their reserve unit. The technician program has proven to be a cost effective means for administering the Selected Reserve and I urge you to favorably consider this request.

FY 1989 Amended Budget Request

The specific budget estimates in the President's Amended Budget Request, exclusive of procurement funds (which are not obtainable by component), for the Reserve components are as follows:

TABLE 1
TOA ($ In Millions)

	FY 1987 Actual	FY 1988 Estimate	FY 1989 Estimate
ARMY NATIONAL GUARD			
MILPAY	3,083.2	3,234.3	3,325.3
O&M	1,742.2	1,856.5	1,797.0
MILCON	140.9	184.4	138.3
TOTAL	4,966.3	5,275.2	5,260.6
ARMY RESERVE			
MILPAY	2,110.0	2,262.9	2,260.0
O&M	769.2	857.5	794.9
MILCON	86.8	95.1	79.9
TOTAL	2,966.0	3,215.5	3,134.8
NAVAL RESERVE			
MILPAY	1,394.0	1,513.0	1,621.4
O&M	880.7	929.9	979.2
MILCON	28.0	40.3	34.2
TOTAL	2,302.7	2,483.2	2,634.8
MARINE CORPS RESERVE			
MILPAY	277.3	295.4	315.7
O&M	64.0	69.5	77.5
MILCON	16.5	33.4	14.2
TOTAL	357.8	398.3	407.4
AIR NATIONAL GUARD			
MILPAY	947.8	988.2	1,027.4
O&M	1,787.5	1,958.1	1,965.4
MILCON	148.9	151.3	147.5
TOTAL	2,884.2	3,097.6	3,140.3
AIR FORCE RESERVE			
MILPAY	569.3	615.1	655.3
O&M	924.6	1,001.0	1,028.5
MILCON	58.9	79.3	58.8
TOTAL	1,552.8	1,695.4	1,742.6
TOTAL DOD			
MILPAY	8,381.6	8,908.9	9,205.1
O&M	6,168.2	6,672.5	6,642.5
MILCON	480.0	583.8	472.9
TOTAL	15,029.8	16,165.2	16,320.5

TABLE 2

Analysis of Reserve Component Growth

FY 1980 - FY 1989
TOA ($ Millions)

Reserve Component Budget

Current Dollars	FY 1980	FY 1989	Increase FY80vs89	Percent FY80vs89
Military Personnel	2,457	7,553	5,096	307%
Retirement Accrual	--	1,652	1,652	100%
Operation/Maintenance	3,526	6,673	3,147	189%
Procurement	1,458	2,310	852	158%
Military Construction	120	584	464	487%
Total with Accrual	7,561	18,772	11,211	248%
Total without Accrual	7,561	17,120	9,559	226%
Constant Dollars				
Military Personnel	4,156	7,553	3,397	182%
Retirement Accrual	--	1,652	1,652	100%
Operation/Maintenance	4,912	6,673	1,761	136%
Procurement	2,152	2,310	158	107%
Military Construction	169	584	415	346%
Total with Accrual	11,389	18,772	7,383	165%
Total without Accrual	11,389	17,120	5,731	150%

Reserve Component End Strength

	Manpower (In Thousands)			
Selected Reserve	869	1,173	304	135%

Two significant developments involving our Reserve Forces have occurred in recent months, including the "no-notice" exercise of the President's statutory authority to call up to 200,000 members of the Selected Reserve to active duty and the completion of the first successful screening of the Individual Ready Reserve (IRR).

In July, 1987, then Secretary Weinberger directed the design of a method of testing the availability of those members of the

Selected Reserve who could be ordered to active duty by the President, without declaration of a national emergency, pursuant to the provisions of 10 USC, Section 673b. We decided to conduct this test in conjunction with the October 1987 JCS exercise, PROUD SCOUT 88. I am very pleased to report to you that our National Guardsmen and Reservists responded as expected. During the seventy-two hour time period of the test, nearly 94 percent of the members of the units selected by random sample were contacted, and over 92 percent actually reported to their Reserve Center or Armory or were excused pursuant to standards set by their respective Services.

The second major development, successful screening of the Individual Ready Reserve (IRR), will be discussed in greater detail beginning on page 14.

Selected Reserve Personnel Strength

The Department has budgeted for a Selected Reserve strength increase of more than 20,000 in FY 1988 and will maintain this new level in FY 1989. This increase is required to meet the most critical manpower demands of both new and expanded missions for the Reserve components. The projected end strengths for FY 1988 and FY 1989 reflect a growth of over 300,000 Selected Reserve members since FY 1980 - the beginning of this Administration.

An increase in Selected Reserve end strength of 5,400 for the Army National Guard, and 7,000 for the Army Reserve is planned for FY 1988, and the new force levels will be maintained in FY 1989. For the first time since World War I, the Selected Reserve components of the Army will exceed the strength of the Active Army. These increases reflect our continued effort to reach our trained unit strength goal of 90% of our wartime requirement. Force structure increases and equipment modernization programs for Army aviation elements also are included in our request. For example, one new attack helicopter battalions equipped with AH-1S (Cobra) helicopters will be added in FY 1988, and six attack helicopter battalions in FY 1989.

The Air National Guard and the Air Force Reserve will continue force modernization to enhance their wartime capabilities. The Air Reserve components will receive additional C-5 and new C-130H tactical airlift aircraft. In addition, they will expand their role in Special Operations in FY 1988, activating an Air Force Reserve unit at Davis-Monthan Air Force Base.

To meet the increased wartime manning requirements of the Naval Reserve, we have planned for a Selected Reserve end strength increase of 4,500 in FY 1988 and we will maintain this increased level in FY 1989. critical manpower demands of both new and expanded missions for the Reserve components. The projected end strengths for FY 1988 and FY 1989 reflect a growth of over 300,000 Selected Reserve members since FY 1980 - the beginning of this Administration.

An increase in Selected Reserve end strength of 5,400 for the Army National Guard, and 7,000 for the Army Reserve is planned for FY 1988, and the new force levels will be maintained in FY 1989. For the first time since World War I, the Selected Reserve components of the Army will exceed the strength of the Active Army. These increases reflect our continued effort to reach our trained unit strength goal of 90% of our wartime requirement. Force structure increases and equipment modernization programs for Army aviation elements also are included in our request. For example, one new attack helicopter battalions equipped with AH-1S (Cobra) helicopters will be added in FY 1988, and six attack helicopter battalions in FY 1989.

The Air National Guard and the Air Force Reserve will continue force modernization to enhance their wartime capabilities. The Air Reserve components will receive additional C-5 and new C-130H tactical airlift aircraft. In addition, they will expand their role in Special Operations in FY 1988, activating an Air Force Reserve unit at Davis-Monthan Air Force Base.

To meet the increased wartime manning requirements of the Naval Reserve, we have planned for a Selected Reserve end strength increase of 4,500 in FY 1988 and we will maintain this increased level in FY 1989.

The Fleet Hospital Program is one of the fastest growing programs in the Naval Reserve. Fleet Hospitals are self contained, modular, rapidly deployable medical facilities that provide comprehensive care for fleet and Marine forces engaged in combat operations. Eventually, more than half the units in the Fleet Hospital Program will be manned by Naval reservists.

The Naval Reserve's Craft of Opportunity (COOP) program will grow from nine to twenty-two craft by FY 1989. The objective of this program is to enhance the Navy's mine countermeasures capability through the use of Navy patrol craft and converted civilian vessels to counter the mine threat to major U.S. military and commercial ports.

The surface reserve frigate program began in 1982, with the transfer of four KNOX Class frigates to the Naval Reserve. The program has continued to grow, and with four more PERRY Class and one more KNOX Class frigates added during FY 1988, will total 24 frigates in an ambitious program to assign 26 modern frigates to the Naval Reserve by 1990.

We requested an increase in the end strength of the Selected Reserve of approximately 1,300 in FY 1988 for the Marine Corps Reserve in order to meet requirements generated by additional unit activations and increased ground combat and support capability. The 4th Marine Aircraft Wing will activate a second KC-130T squadron and a second AH-1J squadron in FY 1988.

TABLE 3

Selected Reserve End Strength*
(Thousands)

	**FY 1980 Actual	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
ARMY NATIONAL GUARD	366.6	440.0	446.2	451.9	457.3	457.3
ARMY RESERVE	213.2	292.1	309.7	313.6	320.6	320.6
NAVY RESERVE	97.2	129.8	141.5	148.1	152.6	152.6
MARINE CORPS RESERVE	35.7	41.6	41.6	42.3	43.6	43.6
AIR NATIONAL GUARD	96.3	109.4	112.6	114.6	115.9	115.2
AIR FORCE RESERVE	59.8	75.2	78.5	80.4	82.4	83.6
DoD	868.7	1,088.1	1,130.1	1,150.9	1,172.4	1,172.9
COAST GUARD RESERVE	11.9	12.6	13.0	13.3	12.0	13.0

* Numbers may not add due to rounding

** For consistency, FY 1980 strengths have been adjusted to include Navy Training and Administration of Reserves (TARs) and Category "D" Individual Mobilization Augmentees (IMAs)

Despite the initial training requirements associated with these total strength increases plus the normal personnel losses, our trained strength in units (i.e., strength stated in terms of unit members who have completed initial training) is improving, as shown in Table 4. However, the rate of progress will be affected by the continuing growth of wartime requirements associated with increased Reserve component missions.

TABLE 4

Trained Manning In Units Against Wartime Requirements
(Thousands)

	FY 1985 Actual	FY 1986 Actual	FY 1987 Est	FY 1988 Est	FY 1989 Est
Wartime Req.in Units	1110.0	1,134.1	1,159.4	1,182.4	1,203.9
Total Trained Pers. in Units	957.0	997.0	1,013.2	1,033.7	1,044.0
Percent Trained in Units	86.2%	87.9%	87.4%	87.4%	86.7%

Full-Time Support Personnel

Concurrent with the expanded role of the Reserve Forces is the continued growth in full-time support activities provided by Active component personnel, Active Guard/Reserve personnel, military technicians, and civil service personnel. The personnel organize, train, recruit, and administer the Reserve components, in addition to maintaining equipment and other logistical activities. The total full-time support strength at the end of FY 1987 was approximately 15 percent of the Selected Reserve.

The effectiveness of the training provided to drilling reservists is a function of the quality of the full-time support force. Therefore, our goal is to field a force of highly motivated and skilled personnel that is cost-effective and capable of producing well-trained Reserve component members and units fully prepared for rapid mobilization.

We have requested an increase in full-time personnel of 5,101 for FY 1988 and an additional 84 for FY 1989. Tables 5 through 8 depict the current plan for our full-time support program.

TABLE 5

Full-Time Support (End Strengths)
Active Guard and Reserve (AGR)

	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
Army National Guard	21,059	23,780	25,237	25,725	25,725
Army Reserve	10,751	12,159	12,414	13,329	13,329
Naval Reserve	15,012	18,391	21,288	21,991	21,991
Marine Corps Reserve	1,134	1,478	1,742	1,945	1,945
Air National Guard*	6,369	7,098	7,623	7,836	7,948
Air Force Reserve	570	612	629	669	657
Total DoD	54,895	63,518	68,933	71,495	71,595

* Excludes non dual-status support technicians hired under Title 32.

TABLE 6

Full-Time Support (End Strengths)
Active Component

	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
Army National Guard	973	769	771	784	784
Army Reserve	1,230	1,230	1,230	1,230	1,230
Naval Reserve	5,847	6,843	6,945	6,933	6,510
Marine Corps Reserve	5,180	5,180	5,350	5,062	5,087
Air National Guard	724	719	731	606	591
Air Force Reserve	743	649	572	624	599
Total DoD	14,697	15,390	15,599	15,239	14,801

TABLE 7-1

Full-Time Support (End Strengths)
Civilians

	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
Army National Guard*	2,124	2,477	2,572	2,547	2,547
Army Reserve	7,643	6,221	4,520	5,659	5,702
Naval Reserve	3,081	3,102	3,041	3,174	3,164
Marine Corps Reserve	221	261	343	352	352
Air National Guard	2,474	2,432	2,462	2,457	2,455
Air Force Reserve	4,817	4,867	4,906	4,577	4,573
Total DoD	20,360	19,360	17,844	18,766	18,793

*Includes Title 5 and Title 32 civilian employees.

TABLE 7-2

Full-Time Support (End Strengths)
Technicians

	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
Army National Guard	23,769	25,292	25,593	25,979	25,979
Army Reserve	6,706	6,949	7,276	7,529	7,916
Air National Guard	22,145	22,005	23,049	23,115	23,113
Air Force Reserve	8,019	8,306	8,722	9,994	10,004
Total DoD	60,639	62,552	64,640	66,617	67,012

Table 8 shows the number of total full-time support personnel assigned by component and the percent the full time force is to the Selected Reserve Force.

TABLE 8

Full-Time Support (End Strengths)
(AGRs, Technicians, Active Component)

	Actual FY 1980		Actual FY 1986		Actual FY 1987		Estimate FY 1988		Estimate FY 1989	
Army National Guard	33,037	9.2%	52,318	11.7%	54,173	12.0%	55,035	12.0%	55,035	12.0%
Army Reserve	17,004	8.0	26,559	8.6	25,440	8.1	27,747	8.7	28,177	8.8
Naval Reserve	20,783	21.4	28,336	20.0	31,274	21.1	32,098	21.0	31,665	20.8
Marine Corps Reserve	4,840	13.6	6,919	16.6	7,435	17.6	7,359	16.9	7,384	16.9
Air National Guard	25,782	26.8	32,254	28.6	33,865	29.6	34,014	29.3	34,107	29.6
Air Force Reserve	11,942	20.0	14,434	18.4	14,829	18.4	15,864	19.3	15,833	18.9
Total DoD	113,388	13.1%	160,820	14.2%	167,016	14.4%	172,117	14.7%	172,201	14.2%

Individual Ready Reserve

The Individual Ready Reserve (IRR) is our principal source of pretrained individuals needed to fill wartime manpower shortages in active and reserve units, to replace unskilled or partially skilled unit members, and to replace combat casualties during the first 120 days of a full mobilization.

The Army, Navy, and Air Force have used IRR Reenlistment Bonus Programs to reduce specific shortages in combat and other critical wartime skills. Since the last quarter of FY 1984, when these programs were first implemented, over 8,600 service members in combat and combat support skills have received bonuses to reenlist in the IRR.

In FY 1987, we implemented a requirement for eligible IRR personnel to perform at least one day of active duty during the year in order to permit the evaluation of IRR skill proficiency, determination of refresher training needs, and confirmation of mobilization availability. It also reinforced the IRR members' recognition of their legal obligation to notify their respective Service concerning changes in their personal status. Table 9 illustrates the IRR reporting results.

TABLE 9

IRR Reporting Results

	Strength	Ordered	Screened(%)	%IRR
Army	287,000	197,000	104,000 (53%)	36%
Navy	78,000	27,000	21,000 (80%)	27%
Marine Corps	45,000	15,000	13,000 (84%)	28%
Air Force	48,000	17,000	14,000 (81%)	29%
Total	459,000	256,000	152,000 (59%)	33%

There have been many positive side benefits of the screening:

(a) the Navy discovered a 75% positive attitude toward the two-way communication established between Navy IRRs and their personnel center;

(b) the Army discovered that 26% of its IRR was interested in Selected Reserve programs, and that at least 5,380 were confirmed joins;

(c) the Air Force discovered that 18% of its IRR had a change in the number of dependents;

(d) all components found the exercise to be a very good method of ensuring and correcting the accuracy of the IRR data base;

(e) the Navy and Air Force found that skill degradation and physical fitness are not problem areas; and

(f) we discovered that some IRR members moved as many as ten times in the first year after their discharge from active duty.

Table 10 depicts the Individual Ready Reserve Strength profile by Reserve component.

TABLE 10

IRR Strength

Component	FY 1986 Actual	FY 1987 Actual	FY 1988 Estimate	FY 1989 Estimate
Army National Guard (ING)	9,522	10,285	10,280	10,342
Army Reserve	300,818	287,459	300,883	286,066
Naval Reserve	73,824	78,429	79,425	82,100
Marine Corps Reserve	49,340	44,580	49,000	52,000
Air Force Reserve	48,709	48,288	43,850	43,900
Total	482,213	469,041	483,438	474,408

We believe that regular screening of the IRR is vital to the flow of augmentation and replacement manpower during combat. Because of budgetary constraints, an annual screening of all eligible IRR personnel will not be possible, but we believe that a viable screening program should be continued. This would ensure that IRR members are called to report at least once during the remaining term of their initial military service obligation (MSO).

The results of the FY 1987 screening indicate a salient issue that should be discussed further. The Authorization Act of 1979 directed the Secretary of the Army to retain many individuals in the IRR that would normally have been discharged. This policy did not affect the other components. The statute was adopted at a time when serious shortages existed within the IRR. It is time to reexamine this policy.

The Army IRR strength has grown from a low of 150,000 in 1977 to an FY 1987 end strength of 287,000 (243,000 enlisted). Approximately 42% of the Army IRR enlisted were transferred in lieu of discharge for the following reasons: unskilled (did not complete training), unsatisfactory performance, unsuitability, pregnancy, hardship, dependency, parenthood, Secretarial authority, or failure to meet medical standards. Approximately 72,000 members were transferred as a result of unsatisfactory participation in Selected Reserve units.

I am concerned about the reliability of this last group. During the FY 1987 screening program, less than 30% of this group appeared for screening as required, as compared to 65% or better for the remainder of the IRR. It is clear that the members of this group are no more likely to honor their IRR committment than they honored their committment to the Active Force or to the Selected Reserve. This amounts to approximately 50,000 or 20% of the Army IRR enlisted population.

As a result of the IRR screening program, the Army is improving its management of the IRR in the following areas: better tracking and screening of the inventory; review of those separations that are unrelated to actual performance such as pregnancy and hardship; use of IRR bonuses for critical skills; and aggressive attempts to obtain current addresses for non-locatable IRR members. The Army is also conducting a review of the causes for unsatisfactory participation in an effort to improve retention in troop program units.

Selected Reserve Recruiting

Demographic projections for the next five to seven years indicate that we will have a reduced population of young, eligible military candidates. Moreover, despite some instability in the financial markets, the American and world economies remain strong with high employment levels. These two factors would normally suggest future difficulties for military recruiters. However, investments in recruiting programs, such as bonuses, educational assistance, advertising, and additional recruiters, have kept our reserve military strength at high levels in both quantity and quality. There were, for example, 5,700 more non-prior service (NPS) recruits in the Selected Reserve in FY 1987 than in FY 1986.

Between FY 1980 and FY 1987, annual Selected Reserve enlisted accessions, including both prior and non-prior service, increased nearly 8 percent. During this same period, total enlisted end-strength increased by 33 percent. This figure indicates a continuing high level of retention in the Selected Reserve. The ratio of non-prior service accessions to prior service accessions varied somewhat during the period, but it ended slightly higher than the average for the entire period. For example, the percent of non-prior service accessions was 42% in 1980 and 45% in 1987. The average for non-prior service accessions during the eight-year period was 42%. Table 11 summarizes Selected Reserve enlisted recruiting in FY 1980 through FY 1987.

TABLE 11

DoD Selected Reserve
Enlisted Accessions
FY 1980 Through FY 1987

CATEGORY	1980	1981	1982	1983	1984	1985	1986	1987
PS	128,373	126,501	138,321	130,975	130,624	143,215	147,921	130,580
NPS	93,683	104,077	106,024	94,679	87,819	85,555	102,649	108,386
TOTAL	222,056	230,578	244,345	225,654	218,443	228,770	250,570	238,966
END STRENGTH	742,221	777,376	827,302	861,507	897,749	936,525	972,197	987,119

The quality of Selected Reserve accessions remains high. Eighty-nine percent of all FY 1987 enlisted reservists were high school graduates, a one percent improvement over FY 1986. Similarly, ninety-one percent scored average or above (Categories I through III) on the Armed Forces Qualification Test (AFQT), which is nearly identical to scores in FY 1986. The overall improvement in the quality profile of recruits since 1980 is substantial, as shown in Table 12.

TABLE 12

Selected Reserve Enlistments (DoD)
Quality Indicators

	No. of HS Grads*	HS Grads. % of Total Enlist.	No. of AFQT I-III**	AFQT I-III % of Total Enlist.
FY 1980	168,500	76%	172,200	78%
FY 1987	213,000	89%	217,000	91%

* Includes equivalency certificate and diploma graduates as well as high school students who enlisted prior to their graduation and were expected to graduate.

** AFQT Categories I-III include enlistees who score average or above on the enlistment test.

Recruiting Resources and Incentives

We are continuing to achieve our total end strength objectives. The FY 1987 authorized end strength contained an objective for a Selected Reserve end strength of 1,156,977. Actual end strength at the end of FY 1987 was 1,150,855, over 99% of the objective. The growth in the Selected Reserve end strength and the maintenance of high quality in accessions clearly appears to be the result of increased recruiting resources (including advertising, recruiting personnel and support assets) and expanded incentive programs (including enlistment and affiliation bonuses, loan repayment programs, and educational assistance).

TABLE 13

DoD Reserve Components
Recruiting Resources By Category
(Current $ Millions)
(Includes New And Anniversary Payments)

	Actual FY 1987	Program FY 1988	Budget FY 1989
Rec/Support*	413.9	423.3	438.3
Advertising	51.5	55.8	60.9
Bonuses**	80.6	92.9	100.0
Total***	546.0	571.9	599.2

* Includes military and civilian payroll costs associated with recruiting.

** Includes enlistment (prior and non-prior service), affiliation, and IRR bonuses; educational assistance other than Montgomery GI Bill; and loan repayment programs for enlisted and health care officer personnel.

*** Totals may not add due to rounding.

Advertising has played an important role in increasing the end strength and improving the quality of Selected Reserve personnel. The Joint Recruiting Advertising Program (JRAP) has been particularly significant to the Reserve components. These high quality national media presentations have included television, radio, magazines, and newspaper supplements, many of which have been in conjunction with Active Force promotions. Of the sums shown in Table 13 for advertising, $2.0 million dollars were earmarked for Reserve component advertising in the JRAP in 1986 and again in 1987. The request for 1989 calls for an increase to $8.0 million. This is money well-spent and it serves not only to maintain high visibility in the public mind for military service, but also to effectively portray the diversity, the challenges, and the solid value of military experience for young people today.

Table 14 identifies recruiting resources by Reserve component for the three-year period of FY 1987 through FY 1989.

TABLE 14

Recruiting Resources* By Reserve Component
(Current $ In Millions)

Component	Actual FY 87	Estimated FY 88	Budget FY 89
Army National Guard	236.2	240.9	243.5
Army Reserve	152.4	161.4	167.7
Naval Reserve	75.7	83.1	92.3
Marine Corps Reserve	17.6	17.2	17.7
Air Force Reserve	24.9	28.2	31.8
Air National Guard	35.5	37.7	37.5
JOINT ADV.	2.0	2.1	8.0
TOTAL**	544.3	570.6***	598.5

* Excludes educational assistance
** Totals may not add due to rounding
*** Reflects $9.6 million reduction by House/Senate Conference Committee for final appropriation.

The FY 1989 request for Selected Reserve recruiting is $22.8 million more than the FY 1988 program and $99.4 million more than in FY 1986. We are confident that by maintaining this level of recruiting effort, we can ensure the continued success of the Reserve component portion of the All-Volunteer Force.

The Montgomery GI Bill for the Selected Reserve

The Montgomery GI Bill is a valuable recruiting and retention tool for the Selected Reserve. Since participation in the program requires an obligated term of service of at least six years in the Selected Reserve, one measure of the value of the Bill is an increase in the number of six-year enlistments. Comparing the two-year period before the program's effective date to the two-year period following reveals that Selected Reserve accessions into six, seven, and eight year terms increased from 58.4% to 66.1%. Of course, not all of this increase may be attributable to the Montgomery GI Bill, since enlistment bonuses and general economic conditions also play a role in these decisions, but it was certainly a significant factor.

Participation in the program has shown steady growth since its inception in July 1985. Table 15 reflects the eligible population and participation rates by Reserve component through FY 1987.

TABLE 15

Montgomery GI Bill-Selected Reserve
Eligibles and Participants by Component

Reserve Component	Eligibles*	Applicants **	% of Participation
Department of Defense	207,448	66,555	32.1%
Army National Guard	90,033	27,457	30.5
Army Reserve	42,027	15,316	36.4
Naval Reserve	21,925	6,310	28.8
Marine Corps Reserve	9,189	3,118	33.9
Air National Guard	25,125	9,778	38.9
Air Force Reserve	19,149	4,576	23.9

* As of September 30, 1987
** As of October 1, 1987

The Montgomery GI Bill has proven to be a well-targeted incentive. It is directly aimed at young high school graduates interested in pursuing their education beyond high school. Ninety percent of the enlisted participants in the program are under age 30 while only fifty-six percent of all potentially eligible enlisted members are under age 30. Fifty percent of the participants are under age 22. With eighty-five percent of current participants attending school either full-time or three-quarter time, the GI Bill seems clearly to be reaching its intended audience. Table 16 identifies the participation level by Reserve component.

TABLE 16

Montgomery GI Bill-Selected Reserve
Level of Individual Participation by Component*

Reserve Component	Full-Time	3/4 Time	1/2 Time	Percentage of Full or 3/4
Department of Defense	44,963	7,439	9,273	85.0%
Army National Guard	19,277	2,793	3,162	87.5
Army Reserve	10,177	1,547	1,627	87.8
Naval Reserve	4,331	805	1,079	82.6
Marine Corps Reserve	2,393	315	265	91.1
Air National Guard	6,149	1,229	1,985	78.8
Air Force Reserve	2,636	750	1,155	74.6

* As of November 4, 1987

Table 17 shows the actual and programmed expenses of the Montgomery GI Bill.

TABLE 17

Montgomery GI Bill-Selected Reserve
Resources
(Current $ In Millions)

Actual FY 1987	Estimated FY 1988	Budget FY 1989
160.4	154.9	142.2

There may be some decline in annual enrollments as total Selected Reserve end strength stabilizes and as new eligibles are drawn primarily from new accessions. This would be a smaller pool than the total population of current members plus new accessions which existed when the program was first effective in July, 1985. Annual school enrollments by fiscal year have been 1,650 in FY 1985, 30,900 in FY 1986, and 31,900 in FY 1987.

The Montgomery GI Bill-Reserve is unique in at least two ways. First, it pays benefits to the participant before the service which establishes entitlement for those benefits is completed. Second, administration of the program is shared by two agencies, the Department of Defense and the Veterans Administration. With participating reservists and their units spread throughout the United States, only an automated system could manage timely identification of eligibility and payment of benefits. The Defense Manpower Data Center (DMDC) at Monterey, California, acts as the central clearing house for Service reports of eligibility. This information is passed weekly to the Veterans Administration which makes it available to the VA regional offices. Benefit payments are processed by the VA in much the same manner that any other entitlement program is administered. There have been some difficulties in establishing a smoothly-functioning system encompassing the reserve units, DMDC, and the Veteran's Administration, but most of these have been resolved.

Selected Reserve Retention

As I observed earlier, annual Selected Reserve enlisted accessions increased nearly 8.0% between 1980 and 1987, while enlisted end strength increased 33%. The growth in end strength not resulting from recruiting is due to increased retention.

Reenlistment bonuses are paid to reservists serving in designated critical military skills or units. Members are authorized to receive up to $2,500 for a three-year reenlistment and up to $5,000 for a new six-year term. In keeping with the guidance contained in the FY 1986 Defense Authorization Act to phase in implementation of the full authorized bonus amounts, however, bonus payments are currently limited to $1,500 and $3,000 for three and six-year reenlistments, respectively. These bonuses are also authorized for prior Active Force members who join the Selected Reserve to serve in a critical military skill.

Table 18 shows total reenlistment bonus authority for FY 1987 through FY 1989.

TABLE 18

Selected Reserve Reenlistment
Bonus Authority
(Current $ In Millions)
(Includes New and Anniversary Payments)

	Actual FY 1987	Estimated FY 1988	Budget FY 1989
Reenlistment Bonuses	$30.9	$32.3	$35.3

One measure of the effectiveness of the reenlistment bonus is the current enlisted retention rate, particularly for those personnel who reenlist at the end of their first term. This is due to the fact that reenlistment bonuses for the Selected Reserve can be paid only once, and even then, only to members with less than ten years of total military service. Table 19 shows the retention rate by Reserve component for first-term enlistees.

TABLE 19

Reserve Enlisted Retention Rates
First-Term Enlistees Percentage

COMPONENT	FY 1985	FY 1986	FY 1987
Army National Guard	85%	83%	80%
Army Reserve	50	66	65
Naval Reserve	89	89	82
Marine Corps Reserve	69	71	75
Air National Guard	91	90	82
Air Force Reserve	78	81	81

Equal Opportunity Issues

The Reserve Components have been a full partner in Department of Defense initiatives relating to Equal Opportunity. The Assistant Secretary of Defense for Reserve Affairs participates or is fully represented on the Defense Equal Opportunity Council (DEOC), as well as on the working groups and subcommittees within the Council. The soon to be published DoD Directive establishing new Affirmative Action planning and reporting requirements will involve National Guard and Reserve members tracking the same data as the Active components. The views of the Office of Reserve Affairs were provided throughout the process of developing this new directive.

The overall racial and ethnic composition of the Reserves generally parallels the Active Forces, although, there are many regional differences based on the available manpower pool in specific geographic locations. This should be more easily examined through the use of the specific demographic reporting requirements contained in the new directive. Representatives of the Office of Reserve Affairs, working on other Equal Opportunity Objectives within the framework of the DEOC and its subcommittees, will continue to ensure that the Reserve components remain full participating partners in this important work.

Women in the Selected Reserve

For FY 1987, women in the Selected Reserve constituted 11.4% of the end of year strength of the Reserve components. This was an increase from the FY 1986 ratio of 10.8%. Significantly, women constituted 42.6% of our net growth for the year.

DEERS Pre-Enrollment

The Defense Enrollment Eligibility Reporting System (DEERS) was established to provide both DoD and Congress with a single source of entitlement and demographic information on the Uniformed Services beneficiary population. DEERS supports the Reserve Components in the areas of benefit confirmation for those on active duty, pre-enrolling Guard and Reserve members and their dependents prior to mobilization, dental panograph x-ray casualty identification and reporting of HIV testing. The Reserve Component interface to the DEERS data base was endorsed by the House Appropriations Committee in 1982. We reported to Congress last year that Phase I pre-enrollments of nearly 500,000 individuals (200,000 members and their dependents) in DEERS was nearing completion. This pre-enrollment ensures that members and their families assigned to early deploying Selected Reserve units will have medical and other benefits available to them upon mobilization. We are actively pursuing plans to pre-enroll the remaining Selected and Ready Reserve as previously recommended by the House Appropriations Committee.

Real Time Automated Personnel Identification System

The Congress and the General Accounting Office have both expressed concern over waste and fraud in the delivery of benefits to military sponsors and their dependents. The Real Time Automated Personnel Identification System (RAPIDS) was established to streamline the process of identification card issuance and to improve the timeliness of confirmation with the DEERS data base. RAPIDS and DEERS will serve as the vehicles by which all components, including the Reserve components, determine identification, eligibility and access. Programs such as commissary benefits to the Selected Reserve, Reserve component Family ID Cards, exchange privileges and retirement accounting for the Reserve components can be greatly enhanced by full implementation of pre-enrolling the reserves into the DEERS and RAPIDS systems.

Reserve Component Family Identification Card

The Reserve Forces Policy Board recommended the creation of a common DoD Reserve Component Family Identification Card to facilitate access to military installations and to document entitlements to benefits. Although all of the Reserve components now have their own Family Identification Cards, we are proceeding with this initiative since the application procedures for the common DoD ID card would be used for DEERS pre-enrollment. We believe, therefore, that this would enhance individual personnel readiness for mobilization. We hope to have these cards and the implementing directives printed and in distribution by the end of this year.

Family Policy Issues

As the importance of the National Guard and Reserve contributions to the Total Force increases, the families of guardsmen and reservists are affected in important ways. The results of the recently released member portion of the Reserve Component Family Survey demonstrate that the presence or absence of family support is a very significant factor in the retention and readiness of the Reserves. It is incumbent on us, therefore, to develop programs which include and directly support the families of reservists.

The soon to be released results of the spousal portion of the Survey will further reinforce the importance of the family in this equation and will provide areas of specific concern that can be targeted by future initiatives. The two portions of the Survey are the most comprehensive and accurate appraisals of Reserve and National Guard attitudes ever taken, and I am confident that they represent a blueprint for issues and action for years to come. We must ensure that Guardsmen, Reservists, and their families are appropriately considered in all quality of life issues. They must be part of the Department of Defense family if we are to retain the kind of high caliber reservists who are necessary for the expanding missions.

Reserve Component Medical Readiness

Achieving the ability to respond quickly and adequately to a wartime casualty flow has been one of the most critical goals of my office and of the Office of Assistant Secretary of Defense for Health Affairs. Members of the staffs of both offices serve on all of the major medical readiness related groups within the Department and they continue to work together. The Department and the Services have taken a variety of actions to resolve this serious problem.

Each of the Services has committed significant recruiting resources to increase needed medical manpower. All of the

Services programmed substantial growth in the number of medical recruiters beginning in FY 1988. The recruiters' efforts will be targeted toward wartime specialty requirements for officer and enlisted professionals.

Two personnel incentive programs, designed to increase the number of Reserve component health care professionals in critical wartime specialties, were approved by Congress during FY 1986. The Congress authorized a stipend program for selected specialists in training and extended the educational loan repayment program to critically short health care professionals in the Reserve components, and provided authority to award constructive service credit for nursing experience. I believe that these programs, coupled with the age and experience authority, will greatly assist us in reducing critical medical wartime shortages.

During the course of our work with the professional medical associations, we discovered a lack of awareness about opportunities in the Reserve. This lack of awareness has surely been an obstacle to reducing the shortfalls. In order to address this concern, the Office of Health Affairs will begin a Direct Mail Marketing Campaign in March, 1988. Physicians and nurses will be contacted through a personal, signed letter from Assistant Secretary Mayer. Each letter has been designed for the specific physician and nurse population needed to overcome the wartime shortage of medical personnel. The letter will advise each addressee of the Department's shortfall, the opportunities for Reserve participation, and the benefits associated with Reserve service. The letter will also provide addressees with an 800 telephone number and a business reply card in the event that they desire additional information.

The professional medical associations assert that there are a significant number of physicians and nurses who will join a Reserve component if the time required is minimal. We have explored this need in the context of the Individual Ready Reserve and the Air Force is conducting a pilot program to test this type of participation option. The member would train five days annually for indoctrination, medical readiness training, contingency hospital familiarization and active duty facility tours. In conjunction with this concept, the Air Force is exploring the recruitment of surgical teams. This is similar to the civilian hospital unit utilized during WWI and WWII that was so successful. We are continuing our vigorous efforts to explore these and any other programs that will provide a readily accessible pool of qualified medical professionals who could be utilized to meet wartime requirements.

Coast Guard Reserve

We remain concerned that the shortfall in the Reserve Training Appropriation for Fiscal Year 1988 will make it necessary to reduce Coast Guard Reserve strength level to that of two years ago - 12,000. The Coast Guard Reserve's fill rate of mobilization requirements is far below that of other Reserve components. This poses a serious National Security problem in their mobilization missions of Harbor Defense and Port Security which are critical to strategic mobility.

Section 507 of the National Defense Authorization Act for 1988 and 1989 expressed the concern of the Congress in this vein and required submission of a ten year plan to enable the Coast Guard to meet 95% of its wartime mobilization requirements for Selected Reserve strength, recruiting and training resources, and equipment and logistic support. The President's Budget for 1989 proposes a funding level that will permit the Coast Guard Selected Reserve to grow back to 13,000 by the end of the year. I believe it imperative to National Defense planning that this partial restoration of Coast Guard Reserve strength receive your support in the Fiscal Year 1989 authorization and appropriation process.

National Guard and Reserve Equipment

During FY 1987, the Department of Defense and the Services continued to improve the equipment status of the National Guard and Reserve Forces. The impact of DoD and Congressional funding of Reserve component equipment in recent years is being reflected in both improved capabilities and equipment fill rates.

Our FY 1989 report to the Congress on the status of National Guard and Reserve equipment, which is based on a representative sampling of 1,443 major line items of Reserve component equipment, shows that equipment valued at $9.9 billion was delivered to National Guard and Reserve Forces during FY 1987. This included 286 aircraft, 231 helicopters, four ships, 740 tanks, 72 howitzers, and more than 12,000 tactical and support vehicles. Current projections from this report also indicate a continued high, albeit declining in the out-years, level of distribution to the Reserve components, averaging $8 billion annually over the next four years.

Based on this representative sample, if the National Guard and Reserve forces were mobilized at the beginning of FY 1989, they would be able to field approximately 80 percent of their required equipment, in terms of dollar value. Through the use of available substitute items, this capability could be raised to approximately 84 percent.

The outlook for further progress in reducing National Guard and Reserve equipment shortfalls is becoming increasingly uncertain in light of evolving budgetary constraints. Overall Service planned procurement for FY 1989 is down by more than $14.0 billion compared to that planned for FY 1989 in the President's Budget last year. This reduction, which exceeds 15 percent, will adversely impact the equipment status of the Reserve components in two ways -- first, in reduced funding for new procurements specifically for the Reserves and, second, through a reduced flow of combat serviceable equipment from the Active components.

Current Service plans for Reserve component equipment procurement are contained in the Department's P-1R report which accompanies the President's Budget. It reflects the types, quantities and costs of equipment items proposed for procurement for the Reserve components. The report identifies equipment procurement of $2.3 billion in FY 1989 for the National Guard and Reserve, a reduction of 8 percent compared to that planned for FY 1989 in the last year's President's Budget.

The Department of the Army has requested $1.3 billion in FY 1989 for procurement for Army Reserve components. The request includes $1.0 billion for Army National Guard procurement and $276 million for Army Reserve procurement.

The Department of the Navy has requested $189 million for procurement of Naval Reserve and Marine Corps Reserve equipment. The Navy's request includes $44 million for Marine Corps Reserve procurement and approximately $145 million for Naval Reserve procurement.

The Department of the Air Force has requested $842 million in FY 1989 for its Reserve components. The Air Force request includes $661 million for the Air National Guard procurement and $181 million for Air Force Reserve procurement.

Even if we achieve one hundred percent of our current equipment redistribution and procurement plans, equipment shortfalls will remain. Data from our FY 1989 National Guard and Reserve Equipment Report indicates a shortfall at the end of FY 1991 of approximately $7 billion. While this is a significant improvement over the $10-11 billion mobilization shortfall forecast last year, further progress in closing the gap between equipment-on-hand and wartime requirement is becoming increasingly difficult, given the greater competition for limited budget resources. Force structure adjustments made necessary by reduced resource levels may also have a significant impact on the pace of future progress in eliminating this deficit.

National Guard and Reserve Facilities

Maintenance of our present and future facilities remains one of our high priorities. For repair and maintenance of Reserve component facilities, we have requested $582 million within the operation and maintenance budget. These funds reflect a reduction of $82 million from the FY 88 funding level. Program affordability cutbacks, particularly in the Army Reserve components, means that the backlog of maintenance will continue to grow as needed repairs are deferred.

We have requested $473 million for Reserve component Military Construction. This represents a reduction of over $111 million from the FY 88 request and $49 million from the previously authorized FY 89 level. Affordability requirements have dictated that the Services carefully review all new construction requests to ensure they support new weapon systems or force structure, improve readiness and mission accomplishment and/or permit realistic training. Many renewal and replacement projects have been deferred until the 1990's.

We are pleased to report that management initiatives taken as part of our oversight of the Reserve component facilities programs, produced (for FY 1987) a first year major construction project award execution rate of over 97 percent of the program, the highest in the Department of Defense. The efforts and coordinated actions of my staff, the Reserve component military construction program managers, and the execution agents have provided needed facilities to the National Guard and Reserves in the shortest possible time.

Employer Support

The work of the National Committee for Employer Support of the Guard and Reserve (NCESGR) is becoming increasingly important, and it has been the focus of a great deal of my personal attention since I assumed office. Grass roots organizations of volunteer business, labor, civic, and local military leaders are being developed in all fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands. The number of volunteers now exceeds 3,500.

Employer pressures on drilling National Guardsmen and Reservists are common. As Guardsmen and Reservists are asked to assume even greater responsibilities, the periods of absence from the work place increase and so do employer pressures. It is anticipated that during this next year, approximately one-third of our Guardsmen and Reservists who are within their first five years of service will quit because of employer pressures. The substantial costs of training replacements make it essential that we relieve those pressures. Several steps have been taken in recent months.

In August, 1987, the Secretary of Defense appointed a prominent corporate executive, John G. McElwee, as the new volunteer Chairman of the National Committee. Mr. McElwee, who recently retired as the Chief Executive Officer of the John Hancock Mutual Life Insurance Company, is a retired Naval Reserve Officer with combat aviation experience in World War II. His varied experiences as both a successful business executive and a commander of Naval Reserve units make him ideally suited to assume his new role in reaching out to business and corporate leaders.

In September, 1987, a National Conference of the leaders of all of the states and territories was held in Washington, D.C. Key members of Congress and senior Administration officials participated. The President produced a video taped message to NCESGR volunteers and employers.

I have recently implemented several new management initiatives to invigorate and focus NCESGR's efforts. A nationwide public service advertising program in cooperation with The Advertising Council has also been renewed. During the past year, the value of the NCESGR-Advertising Council media spot announcements surpassed $35 million dollars.

Some 42 "Bosslifts" were also conducted by NCESGR last year. Each bosslift gave 40 employers an opportunity to receive briefings from Department of Defense agencies on the role of the National Guard and Reserve within the Total Force and to observe reserve training at such locations as the National Training Center, California; Nellis Air Force Base, Nevada; and Fort Carson, Colorado.

NCESGR's Ombudsman operation continues to serve as a clearing house to receive and informally mediate complaints, provide guidance, and resolve disputes with employers and managers. This effort is coordinated closely with the staff of the Department of Labor through a mutually supportive working relationship at all levels. In 1987, NCESGR's national ombudsman staff acted on more than 5,400 inquiries/complaints. Additional reservist employment problems were handled locally by state committee ombudsmen.

Legislative Proposal

I urge the Congress to enact the Reserve Officer Personnel Management Act (ROPMA), a proposal which has been included in previous legislative proposals submitted by the Administration. This important tool would resolve certain critical management problems within the Reserve components.

ROPMA would be the first comprehensive revision to the Reserve Officer Personnel Act (ROPA), which was enacted in 1954. That Act has provided the basis for appointment and career management of reserve officers for some thirty-three years. Piecemeal adjustments to ROPA have been made over the years and a number of those require periodic renewal.

ROPMA is designed to provide a visible, uniform, and improved officer personnel management system for reserve officers on the reserve active status list and consistent and equitable treatment of officers who are transferring to and from the reserve active status list and the active duty list. It is patterned closely after the Defense Officer Personnel Management Act, which was enacted in 1980. The enactment of ROPMA would revise the laws governing reserve appointments, promotions, separations, and transfers to the Retired Reserve. It would stimulate the type of long-range planning which is essential to providing reserve officers with attractive and meaningful careers, and which is necessary to attract and retain officers of the proper age and grade who possess the skills and experience needed by our Reserve components. I hope that you will act on this important management tool as quickly as possible.

Summary

There is no doubt that the readiness and war-fighting capability of the Reserve components of the United States Armed Forces have improved in recent years. Today, our Reserve Forces include more qualified people, who work with better equipment, and who receive more realistic training, than at any previous time in our nation's history. Our implementation of an effective Total Force Policy, however, necessarily requires that we be relentless in our continued efforts to ensure that the National Guard and Reserve--especially early deploying units--receive and retain sufficient numbers of properly skilled and trained personnel, and sufficient modern equipment, to be ready for combat on short notice. We've made a good start, but much remains to be done.

Mr. Chairman, this completes my statement. Thank you very much for the privilege and opportunity to appear before this committee.

STATEMENT BY

LIEUTENANT GENERAL HERBERT R. TEMPLE, JR.

CHIEF, NATIONAL GUARD BUREAU

DEPARTMENTS OF THE ARMY AND AIR FORCE

INTRODUCTION

As Chief of the National Guard Bureau representing more than one-half million members of the Army and Air National Guard, I appreciate the opportunity to appear before Committees of the Congress and to both inform you of our progress and to express our sincere thanks for your support which has made the Guard's remarkable success possible.

The National Guard is our country's oldest military institution. For over three and a half centuries, citizen soldiers have served proudly in our nation's defense. Initially formed to provide for the common defense of early settlers, the National Guard has grown in size and assumed more responsibilities as the nation has grown and changed. The rather dramatic changes in the past decade, however, are equal to all changes in the previous 340 years. With the Total Force Policy becoming reality, the Guard is now fully integrated into all defense scenarios and is a full partner in America's first line of defense.

Many Americans still think of the National Guard as only a state militia employed in local emergencies and disasters. While our state mission does require answering the call of the Governors and responding to emergencies in the states and territories to assist in the preservation and protection of life, property, and public order, the Army and Air National Guard are undisputedly a major portion of the U.S. conventional defense capability.

STATE MISSION

Our state mission of responding to requests from the respective Governors for assistance continues at an increasingly high level. During calendar year 1987 (CY 1987), personnel of the Army and Air National Guard significantly increased assistance to Federal, State and local drug/law enforcement agencies in the war against the growth of illicit drugs in the United States, and the influx of those drugs across our borders. More than 375 missions were conducted, consisting of aerial observation and reporting marijuana locations, air and surface transportation of law enforcement officials, radar and visual surveillance of suspected drug trafficking aircraft and vessels, and loans of specialized equipment. These missions involved over 1,500 personnel from 25 states, and used almost 9,000 mandays. These missions are performed either in State status or incidental to Federal training periods.

FEDERAL MISSION

Our primary (federal) mission is to be able to mobilize units of properly trained and equipped personnel. As our country's vital interests are no longer limited by our national borders, but are global, we must demonstrate our resolve and our capability to protect our nation's interests wherever they are. Two ways that the Guard prepares for this mission are through Overseas Deployment Training and participation in various exercises. We appreciate our training at sites within the United States and its Territories and fully intend to conduct the major portion of our training at CONUS installations. However, we are an integral part of the Total Force and can expect to be called upon to defend our interests throughout the world. We must train in far-flung locations to acquire the ability to mobilize, move, deploy, sustain our forces and maintain our equipment as a creditable deterrent force. Such deployments are quite beneficial in developing a professional, disciplined military organization.

To enhance our ability to effectively respond to our Federal mission, Army and Air Guard units continued to be deployed worldwide in the past year. Our involvement in training, exercises, and deployments throughout the world is a significant factor to our readiness enhancement. Overseas Deployment Training (ODT) provides the Army National Guard (ARNG) soldier the opportunity to learn about the unit's mission and the operating procedures of their wartime gaining command. Units conduct mobilization, deployment, reception planning and training. Unit readiness is improved by participation of units/cells in CONUS unilateral, joint, and combined exercises. Units and cells selected for ODT are identified by the Time-Phased Force Development List (TPFDL) and the CAPSTONE alignment with the active forces. The ODT plan for 1988 s for participation of 1,407 units/cells and 41,716 personnel.

The Air National Guard (ANG) is a full partner with other active and reserve components in overseas deployments, JCS exercises, Air Force training exercises, and ANG sponsored Composite Force Training exercises. A trend of increased ANG participation in joint exercises has enriched training and readiness. The ANG overseas deployments move entire units to theater locations throughout the world for short periods of time. These deployments provide realistic, valuable, theater specific training. Since airlift costs account for more than 90 percent of deployment costs, the ANG has exercised several deployment concepts in order to maximize its training dollars. Using multi-unit deployments, the ANG has reduced per unit airlift costs by 20-25 percent. Use of dual-role KC-10s (air refueling and airlift) also reduced the overall deployment cost.

The Air Guard also supports the Army in exercises throughout the world. Joint training programs, such as at the National Training Center, Fort Irwin, California, and the Joint Readiness Training Center, Fort Chaffee, Arkansas, provide joint training experience for both the Army and Air National Guard. To sharpen ANG fighting skills and familiarize our ANG personnel with joint operations, Composite Force Training exercises are conducted throughout the year. These exercises are sponsored and planned by Air Guard flying units, Field Training Sites, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

Deterrence and readiness are keys to our success in performing our federal mission. During his first term, George Washington, a former Colonel in the Virginia militia said, "The only probable means of preventing insult or hostility for any length of time and from being exempted from the calamities of war, is to put the national militia in such a condition as they may appear truly respectable in the eyes of our friends and formidable to those who would otherwise become our enemies." In today's language, this translates to deterrence. Deterrence is the most fundamental element of our defense policy and the cornerstone of our alliance relationships. Deterrence must not only prevent conventional and nuclear attack on the United States, but must extend such protection to our allies. As you know, JCS defines deterrence as the prevention from action by fear of the consequences. Deterrence is a state of mind brought about by the existence of a credible threat of unacceptable counteraction.

While our way of life clearly supports the deterrence concept, we must be ever vigilant and always capable of fighting and winning. Our Guard soldiers and airmen must be fit to fight, trained to use the equipment provided, and taught to sustain themselves in a hostile environment. Our equipment must be state-of-the-art, able to destroy the enemy as well as to protect our troops. Our units must attain the maximum readiness level and must be prepared to fill their defense roles on a moment's notice. As you know readiness is the ability of forces, units, weapons, systems, or equipment to deliver the outputs for which they were designed, including the ability to deploy and employ without unacceptable delays. In this light, the real value of Army and Air Guard participation in OCONUS training is readily apparent and contributes significantly to our ability to achieve a specified wartime objective.

TODAY'S NATIONAL GUARD

The Guard today is better manned, better trained, and better equipped than ever in its long history. Congress has placed great faith and trust in us and has provided much assistance in our manning, training, and equipping. We have been asked to accept additional missions and responsibilities and have responded well to these challenges. Our efforts to recruit and retain a high quality, professional, and dedicated force have paid dividends.

The Air National Guard and Army National Guard have consistently been number one and two, respectively, in retention rates among Reserve Components. In FY 87, the ANG retention rate was 89.6 and the ARNG retention rate was 83.5. As a direct result of these excellent retention rates and aggressive recruiting programs both the Air and Army National Guard were able to reach their highest strength levels ever.

We in leadership must continue to provide these soldiers with the very best equipment and quality training to ensure their survival should they be required to defend this nation. We have done well, but there is room for improvement.

We, as well as all Americans, must recognize that security is not cheap. Air Force Secretary Edward C. Alridge, Jr., has said "The reality is that defense spending alone has not caused the federal deficit nor will gutting the defense budget solve the deficit." The fact is that Reserve Forces are a bargain, but they cannot do it alone. The active forces are needed more than ever; the Active and Reserve Components must be fully integrated into training, equipment, and systems. The requirement to equip and train our Reserve forces exists because of the necessity of those forces to be fully combat ready. They must be ready to stand alone or integrate fully with their active duty counterparts.

EQUIPMENT

Although the Department of the Army continued the modernization of the ARNG by distributing over $2 billion worth of equipment to the ARNG in FY 87 and projects additional deliveries of $1.8 billion in FY 88, we continue to have shortfalls. Our equipment is getting more use in the extensive training environment and due to its age, requires more and more maintenance. We have gained much but still there are needs. The most limiting readiness factor in the ANG is equipment, especially the need for modern equipment. We appreciate the pronounced interest Congress has taken over the past several years in supporting the Guard and Reserve forces by providing additional procurement funding. Through this specifically approved funding. the Air Guard has been able to buy new C-130s, new operational support aircraft, and, in FY 88, new MH-60 helicopters for our rescue and recovery units. Miscellaneous equipment monies have provided the Air Guard with more modern communications equipment, needed medical equipment, safety equipment, and training devices such as the Air Combat Maneuvering Instrumentation.

Shortages in major items of weapons, support equipment, and communications equipment degrade equipment-on-hand readiness and capabilities of units in the ARNG. Although the distribution of equipment from Army procurement and Congressionally dedicated procurement funding has continually grown, growth in force structure requirements often offset these gains. Some examples of remaining critical ARNG equipment shortages are: personnel carriers, 5-ton trucks, tactical FM radios, and M198 Howitzers just to mention a few.

The total value of ARNG mobilization equipment requirements at the beginning of FY 88 is 31 billion dollars. Receipt of equipment in FY 87 improved the mobilization equipment fill rate to 72 percent, compared to 66 percent in the previous year.

OUR NEEDS

Peacetime demands upon our members are unparalled, and each of our soldiers and airmen must consider the additional demands of job, family, home responsibilities and educational requirements. Limited time is an important factor we must consider; fully-trained and experienced full-time support (FTS) personnel are our way of compensating for guardmembers' limited time availability. The request I present to you in the President's Budget for military technicians and Active/Guard Reserve (AGR) growth has been pared down to meet the constrained resource levels mandated to balance the budget. In order to meet the reductions allocated to the Army and Air Force and, therefore, to the Army National Guard and Air National Guard, I am unable to fund any growth in end-strengths for technicians or AGRs in the Army Guard and only 112 AGR for the Air Guard. Full-time manning continues to be our highest priority and is urgently needed for us to carry out the training and operational missions we have been asked to accept. While the FTS on the Army side remains constant, requirements based on new activations have increased by almost 2,500 spaces. When faced with the choice of ensuring the units we have are effectively trained and manned or to expand to additional units and strength, our first responsibility must be to the total force we now have.

The National Guard needs continued support and emphasis on benefits to make National Guard service attractive. Incentive Programs are a must. The Army Continuing Education System (ACES) provides various educational opportunities to enlisted soldiers and commissioned officers who attend school part-time (e.g., high school completion and part-time post-secondary school) and are not covered by the Montgomery GI Bill. Commissioned officers incur a four year Selected Reserve service obligation following the last ACES supported class.

The Montgomery GI Bill is a most valuable entitlement and provides benefits to our soldiers and airmen who are attending undergraduate college on a half-time or more basis. Presently, the ARNG has over 92,000 members and the ANG has over 40,000 members who meet basic entitlement requirements. The Veterans Administration reports 32,000 ARNG members and 11,000 ANG members are receiving benefits to date. Our participation is expected to increase.

ACES provides tuition assistance to soldiers who attend college on a less than half-time basis as well as many low-cost high-impact educational opportunities that the Montgomery GI Bill doesn't cover (e.g., high school completion, college credit by examination, and college credit by evaluation). These two programs complement each other in covering the educational spectrum and are very useful. We continue to need them.

In addition to the MGIB, the ANG offers incentives in the bonus and student loan repayment programs. These programs provide cash incentives and assistance in repaying qualified, federally insured student loans to members who enlist or reenlist in identified critical skills. Other benefits, such as the Community College of the Air Force and free College Level Examination Program (CLEP) and Defense Activity for Non-Traditional Educational Support (DANTES) testing, are also available. These programs have proven to be effective tools for recruiting ANG members. As retention tools, these programs save the government substantial funds by reducing training costs associated with bringing new and untrained personnel into the Air Guard. Collectively, the entitlements and incentives promote recruitment and retention of trained and experienced

ANG members and must be continued.

The Selected Reserve Incentive Program (SRIP) provides enlistment bonuses that may be either a $2,000 critical skill or $1,500 unit bonus. Additionally, the program offers the retention bonus, affiliation bonus, the Student Loan Repayment Program, and the Health Professionals Loan Repayment Program. Current authority expires September 1990.

To support the Air National Guard training needs, we must look to the professional military training schools and technical training schools. These two separate areas provide training in our wartime tasks, Air Force Specialty Code (AFSC) qualifications and in the area of Professional Military Education, leadership training, and advanced management courses. The Air National Guard receives formal technical training for wartime skills, through a combination of Air Force formal schools and unit on-the-job training. This combination provides a well-rounded, trained individual who can rapidly be mobilized and deployed. Our limiting factors are the availability of the traditional guardsman, and the military personnel resources (currently costing more than $60 million annually) that provide the school days. We must constantly prioritize the level of training available for the new missions and equipment due to limited resources. Along with the technical training there is a need for Professional Military Education. This provides for the development of leadership skills and increases the management capabilities of the Air National Guard officers and noncommissioned officers (NCOs). We need to maintain the current level of funding in the military personnel training accounts to pay for these school days. Unfortunately, to meet our required FY 89 budget reductions, the ANG had to significantly reduce the funds that support our training.

Budgetary constraints have reduced the number of hours available in the ARNG FY 88/89 Flying Hours Program (FHP). Funding will support 360,000 hours in FY 88 and 341,000 in FY 89. Modernization and force structure changes are the most significant variables in the FHP. The FY 89 budget falls short of funding the 365,000 hours needed to meet aircrew training minimum requirements. Under these circumstances, aviation units will experience reduced training readiness because of a shortage in flying hours.

MOS Qualification in the ARNG is another area of concern. A significant number of prior service personnel, interstate transfers, and individuals transferring between units do not have a MOS match in the positions to which assigned. We have a number of programs designed to qualify our soldiers in their job skills as soon as practical. Whether gained through resident service schools, non-resident schools using courses tailored to our training environment, or absent either of these, supervised-on-the-job-training, MOS qualification is a major challenge the Guard faces. The challenge to MOS qualify our personnel is resource intensive and we must have the funds required to insure that our soldiers are sufficiently prepared to serve effectively.

SUMMARY

The National Guard has proven to be an integral part of the Total Force. We exist to support U.S. foreign policy and national security objectives, while providing a State militia uniquely qualified for local disaster and public safety needs. Our responsibilities are truly global, national and local. Each offers its own set of challenges for the present and the future. We are ready to meet these challenges. The capability of our soldiers and airmen to respond to the most demanding wartime missions is a matter of record. The Secretary of the Army, the Honorable John O. Marsh, has said, "Our Reserve and National Guard components, upon which we rely so heavily, prove their readiness daily in challenging assignments around the world."

STATEMENT BY

MAJOR GENERAL DONALD BURDICK

DIRECTOR, ARMY NATIONAL GUARD

DEPARTMENT OF THE ARMY

INTRODUCTION

Throughout our nation's history the citizen soldier has been essential to the security and preservation of our country's security and freedom. Colonial minutemen lived with the reality that they might have to leave the peace and tranquillity of their homes for the battlefield with little or no training and only their personal weapons. In contrast, modern day minutemen - National Guardsmen - are much better trained and equipped.

When the Total Force Concept became a reality in the early 1980's, new missions were given to the Guard and it began to receive modern equipment. Guard leaders focused on improving combat readiness so that Guard units might effectively respond when needed, fight, if necessary, and win decisively. Unlike the Guard of WWII and Korea which required months of training and equipping before being judged combat ready, today's Guard is a combat ready force. Although much progress has been made in resourcing the Guard, there is still much to be accomplished. For example, the Guard's equipment modernization program is still to be completed. Also, there is still a need for additional full-time support - AGR's and military technicians. In this period of budgetary constraint, it is important that the Guard be adequately resourced so that it can continue to fulfill its new role in our nation's defense - that of a well-trained, well-equipped, cost-effective "Army on Call."

STATE MISSION

In 1987, Army National Guard support to civil authorities continued at an impressive level. Support was provided to 52 states during 428 separate emergencies. Included in this total were both civil disturbance operations and recovery operations following floods, tornados, hurricanes, and other natural disasters. In addition, the Guard continued to provide humanitarian support by conducting search and rescue operations, supplying emergency power and water to communities, providing temporary shelter for the homeless, and evacuating critically ill and injured people. Support to civil authorities involved in drug operations also continued to increase. Compared to 1986, the number of states involved in drug operations increased from 19 to 25. As a result of this involvement, 1,029,421 marijuana plants were destroyed and 5,383 pounds of cocaine were confiscated. This equates to over $559,444,000 in illegal drugs that will not reach the streets of this country.

FEDERAL MISSION

ORGANIZING THE GUARD

Force structure is dictated by "the threat" and mission requirements and is what drives the organization/conversion of Guard units. Strength, equipment, and training requirements are a few of the things that are mandated by force structure and the assignment of new Guard units. In FY 87 the Army National Guard (ARNG) experienced many changes in its force structure. Numerous conversions to the Army of Excellence (AOE) design occurred to meet total Army requirements. These conversions and activations will continue in the future to meet the threat as determined by the Department of the Army.

Some of these actions and plans are cited below.

In FY 87, these major actions occurred.

At corps level, six attack helicopter battalions (five Cobra and one Apache) and four assault helicopter battalions were formed.

The only TOW Light Anti-tank Battalions (TLAT) in the Army were modernized by receiving the new High Mobility Multi-purpose Wheeled Vehicles (HMMWV's).

The modernization of two ARNG armor and four mechanized infantry separate brigades and the conversion of two Armored Cavalry Regiments (ACR) also occurred in FY 87. ACRs are now reorganized to the Division 86 configuration and each has activated a support squadron. Additionally, aviation assets in ACRs were consolidated into regimental aviation squadrons.

One Air Defense Artillery (ADA) battalion (HAWK) was activated during FY 87 and the modernization of "Duster" units to Chaparral continued with a second battalion being converted. Additional air defense actions begun in FY 87 are scheduled for completion in FY 92. These actions will establish seven Chaparral battalions by converting two additional M42A1 Duster battalions and by activating two full battalions and one battalion minus. This will enhance the existing ARNG Air Defense structure which currently consists of six M42A1 Duster battalions, two Chaparral battalions, one Air Defense Brigade Headquarters Battery, and six Aerial Target Detachments.

FY 88 force structure actions are concentrating on echelons above division. A few of the major actions include the following.

A Multiple Launch Rocket System (MLRS) Battalion will be activated, the first unit of its kind in the ARNG.

Utah's 142nd Linguist Battalion will expand and convert in FY 88 from a TDA to an MTOE organization. The new 142d Linguist Group is composed of a Group Headquarters and two battalions, located in Utah.

Three Mobile Army Surgical Hospitals (MASH) and one evacuation hospital will be activated.

ARNG engineer topographic units will implement a new design under the "L" series Table of Organization and Equipment (TOE).

Finally, several Personnel Service Companies (PSC) will be established at Corps level which will offset the elimination of AG Companies within divisions and brigades.

In FY 89, conversions and activations of Guard units continue. The major ones involve aviation, chemical, and artillery units.

The conversion of aviation units to Army of Excellence design will see Corps and Theater organizations completed by FY 89. In FY 89 units will continue to be programmed to the "L" series design particularly in the divisional aviation structure. As a result, five aviation group headquarters will be established at Corps to command and control the attack battalions within those organizations.

Four chemical companies and two chemical battalion headquarters also are programmed for activation.

Additionally, two armored cavalry regiments will convert to heavy armored brigades.

Finally, field artillery battalions are scheduled for redesign from three batteries of six guns each to three batteries of eight guns each. This enhancement will substantially increase firepower.

MANNING THE GUARD

The strength of the Army National Guard continues to increase. For example, in the past eight years over 90,000 soldiers have been added to the the ARNG. However, in an environment of "constrained resources," the ARNG must work even more effectively to maintain strength. This means that qualified soldiers must be retained.

Enlisted Management Programs

The constraints of fiscal and human resources make it clear that we've got to "keep what we've got." During FY 87, the ARNG had an enlisted loss rate of less than 20%. A March 1986 DoD study provided considerable information on the reasons personnel leave the Guard and why they leave. Using this data, ARNG leaders and managers will be able to make more informed decisions about factors which help or hinder the attrition environment.

Officer Management Programs

The need to fill officer positions in the ARNG also remains an important concern. While the budgeted officer strength was met in FY 87, the ARNG must still grow by almost 4,000 to meet officer force structure requirements in FY 89. However, as a result of budget constraints, the ARNG officer corps is programmed to drop from a 95% fill in FY 87 to a 92% fill in FY 89.

Recruiting

Recruiting efforts conducted nationwide have produced positive results. Stability, effective leadership, and good management practices are key factors in the support of a well trained and highly motivated recruiting force. However, the constrained resources of FY 89 will affect accessions by reducing support funding. This means that individual recruiter enlistment ratios will have to increase to compensate for this loss. The Guard Accession Information System (GAINS) could reduce the amount of support dollars necessary to effect an enlistment, but, budget constraints in FY 88 will slow the progress of this vital automated communications link. Additional constraints in FY 89 could cripple this project totally.

The environment of constrained resources in FY 89 has resulted in a freeze in end strength. The Army Guard will grow from 451,858 in FY 87 to 457,200 in FY 88. There, strength will remain frozen through FY 89. All of the growth is programmed to occur in FY 88.

Quality accessions will present a challenge to the ARNG in light of the constrained resources of FY 89. The cut of $1.5 million from the FY 88 level in recruiting support and advertising funds will reduce the ARNG recruiter's ability to reach the targeted, high quality 17 to 21 year old non-prior service individuals.

The Montgomery G I Bill has been instrumental in aiding the recruiting and retention of quality personnel. At the end of FY 87, over 30,000 individuals were receiving benefits from this legislation. This program provides benefits to soldiers who attend undergraduate college on a half-time or more basis. Growth in this program is projected to reach 55,000 by the end of FY 89.

Professional Development Programs

The Army Continuing Education System (ACES) provides various educational opportunities to the ARNG enlisted soldiers, warrant officers, and commissioned officers to meet the Total Army educational goals. The purpose of ACES is to provide educational opportunities to ARNG soldiers who work full-time, attend school part-time, and are not eligible for the Reserve Component GI Bill. If individuals are receiving veterans benefits (any GI Bill) for education they are not authorized to receive ACES benefits. Current budget projections for FY 89 will reduce the program which could cause a loss of officer personnel who have not yet attained the required two years of college.

Non-Commissioned Officer (NCO) training programs continue to provide candidates with opportunities to participate in resident training courses that contain the latest tactics, doctrine, and systems. The Army's ability to field a combat ready force of well trained soldiers requires the graduation and sustainment of RC forces which can, on short notice, deploy, fight and win. Beginning in the first quarter FY 88, the Reserve Component Noncommissioned Officer Education System (RCNCOES) was restructured to include job related tasks in addition to Army leadership, training and battle field survival skills.

The revised RCNCOES consists of three levels of progressive NCO education which provide the necessary knowledge and skills required to train individuals and small units to go to war. The program includes the Primary Leadership Development Course (PLDC), the Basic Noncommissioned Officer Course (BNCOC) and Advanced Noncommissioned Officer Course (ANCOC). We have dedicated extensive resources to provide this training opportunity to all drilling Army Guard personnel.

The number of Army Guard soldiers graduating from RCNCOES courses continues to grow. This is consistent with the increased emphasis of training to a one-army standard and added reliance on RC forces for their role in mobilization and deployment. During FY 87, 35,052 personnel graduated from RCNCOES courses. Current trends indicate that we will train 36,000 in FY 88.

In addition to RCNCOES Courses developed for the citizen soldiers who are unable to leave their civilian vocation for extended periods, we have set professional standards for our full-time NCO workforce which are the same as their active component counterparts. To accomplish these standards, Active Guard/Reserve (AGR) personnel must successfully complete active component NCOES courses appropriate to their current military grade and skill level as a condition of continued employment in the AGR workforce. Military technician personnel must meet the same military education requirements for promotion to the next higher grade as AGR members are required to complete . This is a career development program which provides educational milestones for the continued development of the ARNG full-time support force. During FY 87 approximately 7,900 AGR and military technician personnel successfully completed active component NCOES courses. It is estimated that 8,500 will complete active component NCOES course in FY 88. This program is providing a highly qualified NCO Corps.

The purpose of the Reserve Component Tank Commanders Course (RCTCC) is to prepare Reserve Component Non-Commissioned Officers and Officers for the duty position of Tank Commander in a tank company or cavalry troop. Students are trained to skill level 3 proficiency on the M60 or M60A3 tank with the ability to instruct crew drills and teach skill level 1 and 2 tasks. The Tank Commanders Course is taught at Gowen Field, Boise, Idaho, on a recurring basis. Seventeen classes are held each year with a capacity of 48 students in each class. Since its beginning, 1,546 Army Guard soldiers have graduated from RCTCC. We expect an additional 600 graduates in FY 88.

The ARNG NCO Battle Skills Course (BSC) was developed to sustain combat skills among our NCOs. BSC is 152 hours of instruction, (15 days), offered on a continuing basis at Camp Robinson, Arkansas. All ARNG NCOs (CPL or higher) are eligible to attend. BSC provides training in the technical and tactical employment of infantry squad and platoon weapons, live fire exercises, the use of supporting weapons available to the infantry squad and platoon, and battlefield survival techniques. More than 5,500 ARNG NCOs have graduated from BSC. We expect an additional 2,300 graduates in FY 88.

Full-time Support Program

In an environment of constrained resources, it is highly likely that defense missions will be shifted from active component units to more cost effective reserve component units. In FY 87 alone, over 80 new units were added to the ARNG structure. The full-time support program provides a cadre of full-time personnel in support of the overall mission of these units and the previously existing units of the Army National Guard. The program includes ARNG AGR soldiers, Army National Guard military technicians, active component soldiers who are assigned to the Army National Guard, and Department of the Army civilians who work at the National Guard Bureau (NGB).

Program growth is the most critical issue facing the program today. Severe limitations on the projected expansion of the AGR force and the National Guard technician force threaten the overall readiness of the ARNG. Additionally, the careers of quality, professional soldiers, needing effective program management, are in jeopardy because of grade level restrictions imposed on the AGR program by the Congress.

New mission requirements and increasingly demanding training require AGR growth in deployable fighting units. The Army Guard request for 1,329 AGRs that was contained in the FY 88 President's Budget was reduced to an authorized growth of only 665 AGRs over the level appropriated for FY 87. Additional funding constraints have reduced the FY 89 AGR growth to zero. This leaves the ARNG over 11,000 AGRs short of validated requirements. An additional action requires that the ARNG fund from its own resources its share of FICA taxes now required to be withheld from each soldier's drill pay. This has resulted in a reduction of $12 million in FY 89 AGR funding which equates to 612 manyears less than the FY 88 funded level.

Increased quantities of the most modern equipment in the Army's inventory require technician growth in logistical support facilities. The ARNG requested that 491 new technician positions be added during FY 88. Actual growth was 991 technicians. The request for FY 89 was originally for an additional 500 technicians. However, current budget guidelines require that technician strength be maintained at FY 88 levels.

Reliance on the Army Guard as a cost effective segment of the "Total Force" has increased dramatically in recent years. The Full-time Support Program is the framework upon which the strength of the Army National Guard is built. The plan is well conceived, implemented, and managed. Requirements are well documented and must be funded as projected if the Guard is to effectively accomplish its ever expanding mission at minimal cost.

EQUIPPING THE GUARD

Ground Equipment

The Department of the Army distributed equipment worth over $2 billion to the Army National Guard in FY 1987. This included such major systems as M60A3 Tank Thermal Sights (TTS), Bradley Fighting Vehicles (BFV), Improved TOW Vehicles (ITV), M198 Howitzers, Battery Computer Systems (BCS), Chaparrals and HAWK air defense artillery systems, Heavy Expanded Mobility Tactical Trucks (HEMTT), M923 5 Ton Cargo Trucks, and High Mobility Multi-Purpose Wheeled Vehicles (HMMWV).

In addition to follow-on deliveries of the above mentioned major systems, FY 88 and/or FY 89 distribution will include the M1 Abrams Tank and Firefinder radar. Continued delivery of Force Modernization equipment, in conjunction with an aggressive redistribution program, has resulted in greatly improved equipment-on-hand readiness in the ARNG. The percentage of units reporting minimum deployable status or better for equipment-on-hand increased from 52 percent in FY 1985 to 80 percent in July 1987.

A decision was made to accelerate modernization of the Army National Guard armor force in 1984. By the middle of FY 90 the Army Guard will be totally equipped with either M1 Abrams or M60A3 Tank Thermal Sight (TTS) Tanks. To meet the challenge of training the force, two M60A3 Displaced Equipment Training (DET) sites were activated: one at Gowen Field, Idaho, in December 1985, and the other at Camp Shelby, Mississippi, in August 1986. Each DET site will train seven to eight armor battalions per year over a four year period. A total of 1,084 M60A3 tanks have been fielded as of the end of FY 1987 from a programmed total of 3,050. To date, four M1 battalions have been fielded with three more scheduled for FY 88 and FY 89.

The first Prepositioned Overseas Materiel Configured to Unit Sets (POMCUS)-Uncovered Residual Equipment-Replacement (PURE-Rep) program has been approved for the ARNG. An M1 armor battalion in Kentucky will be incrementally activated in early FY 89 and completed in FY 91. This concept proposes a solution to the equipping dilemma by activating ARNG units whose major pacing items of equipment (M1 tanks and M3 Cavalry Fighting Vehicles) are replaced by PURE assets left by deploying Active Component units upon mobilization.

The Army National Guard continues to have three field artillery modernization goals: first, upgrade the firing capability by replacement or modernization of old weapon systems; second, increase the automation of the fire direction capabilities of all units; and third, optimize the fire support capabilities.

Modernization of artillery weapon systems continues to be a challenge. We anticipated that all M114 series (Pre-Korean War vintage) 155mm Howitzers would be replaced by the M198 (155mm) Howitzers in General Support units. However, funding limitations now require M114 retention in the force for an indefinite period of time. The M109 series 155mm Self-Propelled Howitzers are still projected for fielding, reducing the current shortages by FY 1992. One corps level MLRS battalion is being fielded to the Army National Guard during FY 88-89. However, the Army does not plan to equip the ARNG Divisions with MLRS. Consequently, the nine ARNG divisions will not have the same capability as active component divisions. Army procurement of the British Light Gun (BLG) L119 (105mm) is scheduled to begin in 1st Quarter FY 1988. Fielding of the L119 Howitzers is projected to begin in FY 90 to the ARNG Light Infantry Division and several years later for roundout brigades and selected separate infantry brigades.

Air Defense Equipment

The air defense equipment in ARNG Air Defense Artillery (ADA) Battalions will be modernized as a result of conversions and activations occurring between FY 88 and FY 92. The ARNG currently has six Duster Battalions which will be converted to either Chaparral or Gun/Stinger. The two existing Chaparral battalions will increase to seven due to two conversions (Duster) in FY 88 and FY 89 and three activations from FY 89-90. HAWK Battalions will also increase with the activation of three battalions, two in FY 1990 and one in FY 1991. Gun/Stinger Battalions will replace the four remaining Duster Battalions in FY 1988. Two ADA Battalions, consisting of two Vulcan/Stinger Batteries each, will be activated for the 6th Light Infantry Division in FY 1989 and the 29th Light Infantry Division in FY 1991.

Wheeled Vehicles

Wheeled tactical vehicle shortages continue to be a major problem in ARNG modernization. Medium tactical cargo vehicles are extremely short. To further compound these shortages, the ARNG has approximately 3,000 older model, gasoline powered, 5-ton and 2 1/2-ton trucks. Separate appropriations for the Reserve Components have been used to procure 800 new 5-ton trucks to satisfy a portion of the ARNG shortages. Several other types of wheeled tactical vehicles have reached the age where they are no longer supportable because of a lack of available repair parts. The fielding of large numbers of High Mobility Multi-purpose Wheeled Vehicles (HMMWV) to the ARNG has reduced the number of M151A1 1/4 ton trucks remaining in the ARNG fleet. Receipt of the Heavy Expanded Mobility Tactical Truck (HEMTT) has provided some relief of shortage in the medium and heavy tactical fleet.

Communications-Electronic Equipment

The ARNG has fielded the Decentralized Automated Service Support System (DAS3) to 76 sites within the ARNG. The DAS3 was designed to automate direct support unit (DSU) operations within the divisional and non-divisional environment. The system designated to replace the DAS3 is the Tactical Army Combat Service Support (CSS) Computer System (TACCS). TACCS fielding began in FY 87 and the system has been already fielded to several ARNG sites to automate Class IX and maintenance operations. The ARNG, using a regional training approach, will eventually field about 4,000 TACCS.

Approximately one-third of the funding provided to the ARNG from Congress has been used to modernize equipment in ARNG communications units. Since May 1985, seven of ten ARNG divisional signal battalions have been equipped with multichannel Army Tactical Area Communication Systems (ATACS). The equipment for the remaining three division signal battalions will be fielded by the close of FY 1988.

The ARNG Mobile Subscriber Equipment (MSE) fielding will begin in FY 1988 in units assigned to III Corps. The MSE will provide both mobile and wire subscribers a means of exchanging command and control information in a dynamic environment. The MSE increases individual and Command Post mobility and serves dispersed locations as required by Air Land Battle doctrine. The system will greatly enhance US Army combat mobility, survivability and effectiveness. MSE is being resourced for a 26 division (5 corps) force and fielded a complete corps at a time. The proposed training program fully supports a total Army Active Component and Reserve Component (AC and RC) transition to MSE.

Medical/Dental Equipment

Since 1984, the ARNG has invested over $36 million in the modernization of medical and dental equipment sets. Modernization of medical and dental equipment sets will continue in FY 1988. The ARNG expects FY 88 delivery of $13 million of medical and dental equipment sets funded in FY 86.

To increase medical readiness, the ARNG is programmed to receive 25 sets of Deployable Medical Systems (DEPMEDS), i.e. one set per hospital. However, delays in fielding are a major concern. Several units scheduled for later fieldings have already been slipped and it appears that even the initial fielding may also slip.

Organizational Clothing and Equipment

The Organizational Clothing and Equipment (OCE) Program continues to improve as all shortages are being reduced. The fielding of Personnel Armor System, Ground Troop (PASGT) helmet, a $50 million program begun in FY 84, should be successfully concluded in mid FY 88.

In FY87 ARNG units received or have on order over 55,000 camouflage screens and support sets. Although the authorization for camouflage support sets continues to increase, the ARNG percent of fill for this item increased from 19% at end of FY 85 to 64% at end of FY 87.

Shortages in Chemical Defense Equipment (CDE) continue, as a result of contractor problems. The ARNG requisitioned over 450,000 Battle Dress Overgarments, but has received only 183,000. Consequently the program has slipped by 18 months with 150,000 of required BDO not yet on order. Because of the shortage of contingency BDO, units have not requisitioned all required gloves and footwear covers that complement overgarments to make complete sets.

The fielding of the Combat Vehicle Crewman's (CVC) Uniform System which was scheduled to begin in FY 87 has also slipped to FY 88.

Maintenance Operations

Army National Guard materiel readiness reports reveal an equipment readiness posture that compares favorably with Active Component standards. Increased command emphasis and the implementation of maintenance management initiatives designed to improve maintenance management, operations, and training have allowed the ARNG to achieve and sustain the overall ready condition of our equipment. However, some disturbing trends in non-mission capable equipment readiness could develop. Repair parts funding, which supports the Army Guard's maintenance program, has been significantly reduced for FY 89. This could result in the loss of most of the ARNG's previously gained equipment readiness improvements. The most adverse impact on readiness will be realized when ARNG units consume on-hand repair parts to a near zero balance as they attempt to provide the serviceable equipment needed to support equipment operating levels, training tempos, and assigned readiness goals.

A series of fleet management depot overhaul programs designed to enhance the readiness of ARNG equipment will be fully funded in FY 89. These ARNG depot maintenance programs include the modernization and major overhaul of aircraft, combat vehicles, trucks, radios, and other electronic equipment. The ARNG initiated many new aviation maintenance programs designed to improve the readiness of ARNG aircraft and to enhance the readiness of aviation units. All of these vital maintenance programs will provide the increased reliability and sustainability of ARNG equipment needed to meet assigned materiel readiness goals.

Aviation Equipment

The ARNG aircraft situation is one of critical shortages, particularly in helicopters. In FY 89, the ARNG will have 33 divisional/corps units that require attack helicopters. Of these, the Army has identified ten corps units and five divisional units which require the AH-64 (Apache) Attack helicopter. Current plans call for only 54 to go to Army Guard units. The balance of the requirement, along with the other divisional/corps units needing attack helicopters will be filled with the far less capable AH-1S (Cobra) attack helicopter. When compared to the primary Soviet attack helicopter, "the Soviet HIND-D/E attack helicopters hold a considerable advantage over the Cobra in terms of ordnance capacity, cargo capacity, and armor protection." Additionally, the Army Guard's inventory of Cobra helicopters is contingent upon the fielding of Apaches to the active component. Only as the active component units receive the Apache will their Cobras be displaced to Army Guard units. Forty-three percent of the combat units of the Total Army are resident in the Army Guard, yet the Guard will receive only 9% of the Army's most advanced attack helicopter capable of providing the kind of force multiplier needed to fight the deep battle envisioned in the Airland Battle 2000 scenario. With the production line in danger of closing before the achievement of the program objective of 1,206 aircraft, the ARNG will continue to be short for many years to come.

The ARNG utility helicopter fleet will be updated only marginally in the modernization program as less than 90 UH-60 Black Hawks are currently scheduled to enter the inventory. In addition, the fleet faces an aging problem since more than 200 of the fleet's aircraft will be over 20 years old. The vast majority of ARNG utility helicopter requirements will be filled by the Vietnam era UH-1H helicopter rather than the modern Black Hawk. This means that the ARNG may be forced, under current plans, to maintain this system well into the twenty-first century and suffer the same spare parts and interoperability problems of the current UH-1M and OH-6 helicopters.

The scout helicopter situation is made difficult by the limited production of the OH-58D scout helicopters which offers interoperability with the advanced attack helicopters. While the active component is currently using the OH-58C, the ARNG is meeting its requirements using the OH-58A and OH-6 aircraft. The OH-6 aircraft is not fully supported by the Army spare parts inventory system which results in low operational readiness rates.

The modernization of CH-47A/B/C helicopters to the CH-47D has been taking place since 1980. All CH-47A/B aircraft have been lost to the modernization effort. These are being replaced by the CH-47Cs which are being displaced from the active component which is receiving the D model. Although not originally scheduled to receive the CH-47D until FY 91, the ARNG now expects to receive its first eight aircraft in FY 88.

The ARNG has 39% of its required fixed wing aircraft (C-12/U-21) on hand. The balance is filled by the substitute U-8/T-42/U-3 aircraft. This use of substitutes, again, places the ARNG in the position of having to train with aging aircraft as over 50% of its fixed-wing fleet is more than 20 years old.

TRAINING THE GUARD

Unit Training

Several programs in the ARNG are key to providing the kind of realistic training the units need and deserve today. Each of these, the Overseas Deployment Training (ODT) program, the CAPSTONE program, the training at the National Training Center (NTC), and participation in the Joint Chiefs of Staff (JCS) exercises are vital in the Guard's mandate to provide combat ready units in support of the total force.

The objectives of the Army National Guard ODT program are to: strengthen CAPSTONE associations; provide units the opportunity to conduct wartime mission planning and training in their overseas theater of operations; provide the opportunity to conduct mobilization, deployment, and reception planning and training; increase unit readiness by providing optimum participation of units/cells in OCONUS unilateral, joint and combined exercises; and provide an opportunity for personnel to learn about their assigned area of operations, unit mission and the wartime operating procedures of their CAPSTONE gaining command. During FY 87, 34,720 Guardsmen participated in the ODT program. For FY 88, 41,716 Guardsmen are scheduled for Overseas Deployment Training.

The National Training Center (NTC) is the Army's premiere collective training center. It trains the Army's battalions and brigades in the most realistic combat environment available in peacetime. Since 1983, twelve Army National Guard roundout battalions have trained at the NTC. Current schedules call for three additional rotations through FY 89 (one in FY 88 and two in FY 89). In addition to the normal rotational unit, numerous Guardsmen (approximately 2,700 in FY 87 and an estimated 3,200 in FY 89) train at the NTC in either a Key Personnel Upgrade Program (KPUP) status or as members of the Opposing Forces (OPFOR). In addition to NTC KPUP, a total of 6,708 soldiers were deployed elsewhere in the United States to participate in KPUP training during FY 87. OCONUS Deployment was 2,579 soldiers to 12 countries to participate in 14 major JCS Exercises. Without these key personnel participating in exercises, successful mission achievement would have been difficult. As the total number of ARNG soldiers trained at the NTC approaches 4,000-5,000 per year, any reduction in resources for NTC will impact heavily on MOS/SSI training on ARNG personnel.

JCS exercise participation is designed to train units in accordance with existing contingency plans. These exercises provide the opportunity to evaluate standing operating procedures and war plan development. They also provide opportunities for CAPSTONE wartime mission training and strengthen

CAPSTONE relationships. During the exercises commanders and staffs train in the Air Land Battle doctrine in as realistic an environment as possible. They can exercise and evaluate personnel and administrative, logistics, and communications systems. They can also weld all elements, combat, combat support, and combat service support into an effective fighting force. Currently 30 exercises have been scheduled for FY 88.

Aviation Training

In 1978, the ARNG began developing the concept of centralized ARNG aviation training sites (AATS). The concept was based on the premise that Active Component capabilities to support training of aviation skills unique to the ARNG would be constrained in the 1980's and beyond. Experience through the mid-1980's has proven the premise of constrained capabilities to be valid. The concept has been successfully implemented with the Eastern and Western AATS located in Pennsylvania and Arizona respectively.

The Eastern AATS, which began operations in 1981, emphasizes individual aviator qualification training in utility and cargo rotary wing aircraft and selected fixed wing aircraft. During FY 87, the Eastern AATS trained 719 students while utilizing 6,101 flying hours. Of considerable importance is the UH-1H synthetic flight training system supporting Active Component, Army Reserve and Army National Guard aviators in the region which the Eastern site operates. Over 14,600 creditable aircrew flying hours were accomplished in the simulator. The Western AATS, which focuses on attack and aeroscout rotary wing operations completed training of 140 students who used 1,722 flying hours. Each site will begin operating an AH-1 "Cobra" flight weapons simulator and the student load will increase.

As resources become more constrained in 1988 and 1989, the role of the two training sites will become more important. Greater emphasis on resource intensive training will occur. Such emphasis will minimize the impact of resource reductions in flying hours, training time, and overhead that would be required if the same training were offered by aviation units in each of the several States. The ability to meet this role will be limited in the Western site without the necessary full time personnel. These training sites serve as "survival kits" for ARNG aviation and provide a pressure relief valve for the States so that unit level training missions can be accommodated in the state. Overall, ARNG aviator unit readiness will be improved.

In May 1985, the Army approved a three part fielding plan for the ARNG's AH-64 (Apache) Advanced Attack Helicopter Battalion (AAHB). Active Component activation of AAHB's utilizes a single station fielding concept consisting of approximately 90 days of tactical training conducted at Fort Hood, Texas. Prior to beginning this training, battalion personnel are 100 percent technically trained. A full complement of authorized equipment is received at the beginning of the 90-day training cycle. The Army directed that National Guard AAHB's would be filled to the same level of authorized equipment as Active Component counterparts.

In FY 87, the North Carolina ARNG completed Part I training, and unit instructor cadre returned home in October 1987. The South Carolina ARNG began technical training of pilots and maintenance personnel at the aviation schools in Fort Rucker and Fort Eustis. In FY 88, the NC ARNG instructor cadre began administering Part II home station training, and the battalion is scheduled to deploy for Part III training during July-August 1988. The SC ARNG is programmed to send its cadre to Fort Hood in July 1988 for Part I training to return in October 1988.

In FY 89, the SC ARNG is programmed to complete Part II and III training at home station and Fort Hood in the same manner as the NC ARNG FY 88 plan. The National Guard Bureau continues to closely monitor training of the two ARNG battalions and is finalizing a formal training publication based on lessons learned which will institutionalize the training program for future ARNG Apache battalions. The three-part fielding process is time sensitive and must occur as scheduled to meet the battalion training dates already coordinated with Apache Training Brigade at Fort Hood. Delays would impact not only the ARNG but active component battalion fielding as well.

NGB established Night Vision Goggle (NVG) Training training objectives for ARNG tactical aviation units on 1 October 1981. NVG qualification is now mandatory for all helicopter pilots. All pilots are now NVG qualified during undergraduate flight training at Fort Rucker, Alabama. In addition, NVG mission training in unit tactical tasks was mandated for specific positions identified by the unit commander. Mission training requires an additional 10-15 hours of NVG flight. In FY 87, the ARNG continued NVG qualification training at Army Aviation Support Facilities (AASFs) and unit schools. More than 70 percent of aviators are now qualified, with nearly 30 percent mission trained. On 17 September 1987, the ARNG modified its NVG milestones to expand the qualification criteria from 30 percent NVG mission trained and current, to 100 percent NVG mission trained and 50 percent current by 14 September 1989. By meeting those objectives, units will have fully trained crews with a sufficient number current and in continuation training to support round-the-clock operations in the event of mobilization.

In FY 88, units are expected to complete initial NVG qualification of 100 percent of aviators, and proceed with additional NVG mission training. During FY 89, all tactical aviation units are expected to reach 100 percent of aviators NVG mission trained, and have 50 percent returned to currency and in continuation training.

Current initiatives include resourcing aviation units with additional night vision devices to provide sufficient equipment to meet and sustain the ARNG night operational capability provided by the revised milestones. Consequences of denying additional resources will seriously impact the ARNG's overall operational readiness. Until the NVG milestones are achieved, units will not have night operational capability as a complete unit, but only with selected crews or company/battalion minus elements. The impact on Total Army ability to effectively sustain round-the-clock capability could be decisively impaired without complete ARNG participation.

Training Support

Limited amounts of training time, unit dispersion, and constrained maneuver space and gunnery ranges create unique training requirements for the ARNG. Many of these requirements can be met through the innovative use of training devices and simulators and a comprehensive development program for local training areas.

Several studies have been completed that describe the ARNG training problems and possible solutions. These studies recognize that the use of simulators and training devices would be the only way to train to standard considering the unique training environment in which the ARNG exists. Training must be taken to the troops and the effects of constrained ranges and training areas must be overcome. Training devices and simulators fill part of that need since devices and simulators are cost effective and time effective.

The Army's five year plan for Reserve Component (RC) devices/simulations has shrunk by 53.2% in the first two years of its existence (from $499 million to $233 million). With the exception of Regional Training Sites-Maintenance (RTS-Maint) every program has required ARNG funding to survive. The status of the major programs is cited below.

Multiple Integrated Laser Engagement System (MILES) sets for major training areas are now in place. Fielding of platoon size sets for maneuver battalions has begun and is scheduled for completion in September 1988. M-81 chemical agent alarms have been fielded and eight Mobile Conduct of Fire Trainers (M-COFT) also have been fielded. These two programs are on schedule. GUARDFIST I and II have been combined and the research and development contract has been awarded. The contract for the Precision Gunnery Trainer for DRAGON and TOW antitank missile systems has been awarded and ARNG units may receive these trainers in FY 91 or 92. If the Active Component fields these in FY 90 or 91, the ARNG will have the opportunity to accelerate acquisition of these systems. These training systems provide maneuver units the opportunity to practice gunnery in armories and on ranges without expending live missiles. This allows the use of Local Training Areas for realistic gunnery exercises.

Advances have been made in the number and quality of devices and simulators dedicated for the ARNG but many maneuver units have neither advanced training devices nor simulators. Combat Support and Combat Service Support units have been virtually ignored with few training initiatives planned for them.

Studies conducted by the Logistics Management Institute and the Industrial College of the Armed Forces coupled with the Department of the Army Management Action Plan recognize training shortfalls in Reserve Component maintenance units and recommend establishment of Regional Training Sites-Maintenance (RTS-MAINT). The RTS-MAINT provide maintenance military occupational skill transition and sustainment training during peace-time allowing the mobilization and deployment of Reserve Component maintenance companies capable of supporting current and force modernization systems. The National Guard Bureau is working with the Department of the Army and the Major Commands to develop programs of instruction, procure facilities, provide manpower, and field training devices to the RTS-MAINT.

The Army National guard has proponency for thirteen RTS-MAINT sites. An aggressive sustainment training program has been initiated at Fort Bragg, North Carolina, Camp Shelby, Mississippi, Fort Dix, New Jersey, and Camp Dodge Iowa. RTS-MAINT sites at Camp Blanding, Florida, Camp Roberts, California, and Camp Custer, Michigan, are scheduled for construction in FY 88. The remaining ARNG proponent sites are programed for Camp Ripley, Minnesota, Fort Riley, Kansas, and Gowen Field, Idaho in FY 89; Fort Stewart, Georgia, in FY 90, and Jefferson Barracks, Missouri, and Pearl City, Hawaii, in FY91.

In addition to the thirteen NGB proponent sites, FORSCOM has proponency for six additional sites. They are programed for construction to begin in FY 89. The six FORSCOM sites are Fort Hood, Texas, for FY 89; Fort McCoy, Wisconsin, Fort Indiantown Gap, Pennsylvania, and Fort Devens, Massachusetts, for FY 90, and Fort Chaffee, Arkansas, in FY 91. A site programed for Aberdeen Proving Ground, Maryland, in FY 92, although considered a TRADOC proponent site, will be managed by FORSCOM. Of the FORSCOM sites, two, Fort Indiantown Gap and Fort Devens, have already started limited sustainment training.

At present, efforts are being made to obtain major end items and components identified as required for training for each RTS-MAINT. All required major end items and system components will be added to the TDAs of each site. Nine M1 tanks have been located and are programed for delivery to all current sites. These tanks will require some maintenance prior to being used for training. Maintenance will be provided by the receiving site with a plus up in repair parts funds going to the USPFO supporting each RTS-MAINT.

The inability to train on combat items of equipment is the greatest problem hindering maintenance MOS proficiency. The urgency of finding a solution to this problem is further compounded when it is realized that the Army National Guard and Army Reserve provide over three-quarters of the total Army maintenance capability. This is a major detriment to readiness when we consider that all the new and highly technical weapons in the Army's arsenal will serve to no advantage if there is no one capable of repairing them in the future battle. RTS-MAINT concept was developed to provide fully trained, deployable maintenance personnel capable of performing their wartime missions.

The High Technology Regional Training Center (HTRTC) is a prototype regionalized training center for the training of Reserve Component (RC) and Active Component (AC) personnel using the latest in training technology. The HTRTC strategy is to improve unit readiness by providing a training environment designed around the training requirements of RC personnel. The HTRTC, activated in October 1987, includes a Regional Training Site-Maintenance (RTS-Maint), a High Technology Training Center (HTTC), a Training Technology Field Activity (TTFA) and a Range Training Support Activity (RTSA). Sustainment and transition training on force modernization equipment is provided at the HTRTC. The HTRTC provides continuous weapons systems, weapons systems simulators and other high technology training devices to enhance individual operator and unit training.

Camp Shelby, Mississippi, is programmed for the first ARNG Regional Training Site - Medical. Camp Shelby will provide training to ARNG and USAR medical units programed to receive the DEPMEDS. The Effective date (E-date) of the Shelby RTS-MED TDA is December 1, 1987. Two Army National Guard Regional Training Sites-Medical are scheduled. The RTS-MED, Camp Shelby, is programed for construction in FY 88; the second at Fort Indiantown Gap, Pennsylvania, in FY 89. The USAR sites are named differently from the ARNG sites, but are in fact the same thing. Five US Army Reserve Regional Medical Training Centers (RMTC) are Camp Parks, California, and Fort Devens, Massachusetts, FY 90; Fort Stewart, Georgia, FY 91; Fort Chaffee, Arkansas, FY 92; Fort McCoy, Wisconsin, FY 93.

The Camp Bullis, Texas, site, presently the "schoolhouse" for DEPMEDS training, will phase out of existence with the activation of the two ARNG sites. The ARNG sites at Camp Shelby and Fort Indiantown Gap will become the new "schoolhouses."

The Army National Guard Range Modernization Program is the key factor to providing the Army National Guard with modern and adequate training support facilities. Range modernization supports standardization and provides the critical elements needed to enhance weapon proficiency, qualification, and combat readiness.

The Army National Guard Range Modernization Program was initiated during the late 70's to support new weapons systems, new training doctrine, and to offer tactical training close to home. Until that time, the quality of Army National Guard Training Facilities varied from location to location, ranging from small undeveloped open fields to large nonstandard facilities. The range modernization program is built upon the development and upgrade of local training areas and is designed to maximize training time while reducing material operating costs. A significant aspect of this program is the Army National Guard Master Range Plan which drives the states Five Year Range Development Plan. This management tool incorporates all aspects of ranges and support facilities requirements. This makes it possible for National Guard Bureau to assist with standardization, tracking, and inventory/prioritization of proposed Army National Guard modernization projects.

The range modernization program has advanced through the success of the FY 87-FY 91 Program Development Package which provided over $19 million dollars in FY 88 and is projected to produce approximately $69 million in FY 89, 90, and 91. The Army National Guard Range Modernization Program also includes funding for Remoted Targetry Systems through Other Procurement Army. The Army National Guard competes for Other Procurement Army funds based on program priorities.

Current initiatives include submission of funding packages for FY 89-FY 94 which identifies the need, by range project, for expenditures of approximately $200 million dollars on training range modernization. This initiative supports the development of ranges which provide for individual soldier marksmanship, armor and mechanized infantry, and combined arms training at locations which will make it possible to expend valuable training time efficiently in order to produce higher levels of readiness.

If this program is denied or slowed, National Guard units will be required to expend valuable training time and expense traveling to and from training sites. Training opportunities will be restricted because of range scheduling difficulties and the inability of troops to reach needed training facilities during IDT periods. National Guard Units will be left with obsolete training facilities which do not allow for training up to current ARTEP standards. Such adverse action would lower readiness levels due to lack of training opportunities in the basic combat tasks required.

READYING/MOBILIZING THE GUARD

Mobilization preparedness is a major objective of the Army National Guard. Training for and evaluation of mobilization preparedness are essential for improving unit and State Area Command (STARC) capabilities to execute mobilization and deployment responsibilities.

The ARNG mobilization exercise program during FY 87 consisted of 856 exercises. Examples of exercises conducted in support of state mobilization programs and major ODT include REFORGER, TEAM SPIRIT, ABRIENDO RUTAS, and BRIGHT STAR. In addition, States participated in the Headquarters Department of the Army exercises POWER SWEEP 87 and WINTEX CIMEX 87. These exercises showed that Guard units can successfully perform required mobilization activities within a time frame which has a potential for reducing theater arrival dates. Continued exercises will reinforce and enhance ARNG unit capability to mobilize.

The ARNG implemented an Emergency Mobilization and Deployment Readiness Exercise Program (EMDREX) during FY 87. These exercises are designed to evaluate the ability of rapidly deploying, high priority units to perform required alert and mobilization functions at home stations; prepare for deployment; and move to mobilization stations, Aerial Ports of Embarkation (APOE) or Sea Ports of Embarkation (SPOE) within a constrained timeframe. The first of these type exercises was conducted by the state of Oregon with outstanding results.

During the first quarter of FY 88 all of the STARC headquarters participated in a Joint Chiefs of Staff mobilization exercise titled PROUD SCOUT 88. This was a command post exercise (CPX) designed to evaluate the plans, policies, and procedures utilized during mobilization in a multiple theater environment. In conjunction with PROUD SCOUT, the exercise schedule for FY 88 contained a major new initiative with the First U.S.Army GOLDEN THRUST 88 mobilization exercise. This was the first exercise designed to physically test the complete spectrum of activities as units actually moved through the five phases of mobilization (preparation, alert, mobilization at home station, movement to mobilization station, and operational readiness improvement). The exercise focused specifically on issues related to the actual simultaneous mobilization of multiple units to determine flaws or discrepancies in existing plans, policies, procedures, and systems. In addition to the above mentioned exercises, the STARCs are planning to conduct approximately 900 unit level mobilization exercises during FY 88. The FY 89 mobilization exercise schedule will include ARNG units participating in Department of the Army exercises PROUD EAGLE and WINTEX CIMEX, in addition to several hundred annual mobilization exercises conducted by STARC headquarters.

Reductions from programmed funding levels, will force the ARNG to return to approximately the FY 84 execution levels or roughly 420 unit mobilization exercises. Such a reduction would have a correspondingly negative effect on adequately sustaining mobilization readiness in units for the outyears. Any reduction retards progress towards attaining the goal of placing all ARNG units in a three year mobilization exercise cycle. Achieving this goal has become more critical as inspections and exercises indicate that the deterioration of a unit's mobilization capability begins toward the later part of a three year period, signalling the need for triennial exercises.

Readiness in the Army Guard is at its highest level. In most cases, this readiness closely parallels the active component, especially in the area of combat support and combat service support units.

During FY 87, 67% of ARNG units reported an overall ready status, with 79% of ARNG units reporting ready in equipment-on-hand. This reflects a readiness improvement of 2% and 4% respectively in these measured resource areas. This increase in readiness resulted from intensive readiness management efforts and, to some degree, the dedicated procurement initiatives. These figures include 257 units temporarily not ready because they are undergoing Department of the Army directed restructure or modernization actions. The most current MICAF (Measuring Improved Capability of Army Forces) report (FY 86), which measures the increased capability of our forces using 1980 as a base year for equipment-on-hand, showed a positive increase in capability of nine percent throughout the ARNG's major combat units in FY 86. The 33% cumulative increase since the 1980 base year indicates that Guard modernization efforts are in fact paying dividends.

The primary catalyst in having 80% of ARNG units report a deployable level of fill in equipment-on-hand is the ARNG's Equipment Readiness Analysis (ERA) program. The ERA program is a major element of the ARNG policy to manage and control "instant unreadiness". This program redistributes equipment against known unit requirements to improve ARNG overall readiness. Since January 1986, 349 units have been upgraded to deployable status, and this upward trend is projected to continue as the ARNG National level ERA program is fully implemented.

Overall ARNG readiness is successfully managed by a Readiness Action Plan (REAP). Readiness issues are discussed and resolved at various levels which include: State Readiness Committees; the ARNG Readiness Council made up of two representatives per Army Area; and the ARNG Force Readiness Committee which is chaired by the Director of the Army National Guard.

The positive readiness trend experienced in FY 87 is expected to continue through FY 89 as National Guard Bureau and state readiness committees put forth a unified effort to identify readiness inhibitors, report these inhibitors on the unit status report, and strengthen ARNG readiness management polices. The ability of the ARNG to respond to the demands of improving readiness to meet warplan tasks will be degraded, however, if equipment resourcing is not continued at a level which achieves attainment of a combat ready force.

INFORMATION MANAGEMENT

Several significant events are taking place as the ARNG continues to upgrade and expand its automation efforts. At the United States Property and Fiscal Offices (USPFO) across the country, new Sperry 5000/90 minicomputers are being fielded during calendar year 1988. This equipment will replace outdated computers with current technology. This system of minicomputers will be expanded by the Reserve Component Automation System (RCAS) which will field over 22,000 microcomputers and provide automated unit administration to even the most remote armory location. The Guard's readiness and mobilization reporting capability will be greatly improved by this enhancement.

The ARNG has also expanded the use of electronic mail, data transfer, and software distribution to speed coordination and reporting response time. Through the use of commercial electronic mail networks, the ARNG has been able to reduce the cost of communications by telephone and U. S. mail. This service has been expanded to all States and Territories and over 5,000 ARNG users are currently participating in the network.

In an effort to expand the capability to provide for national emergency communications, the ARNG is working with other government agencies to provide a communications network to state Emergency Operations Centers (EOC's), State Area Commands, and armories. This system also provides a gateway to the Defense Data Network.

The ARNG has an approved Information Management Plan (IMP) which provides a comprehensive list of 146 major initiatives that are needed to fully automate the ARNG. In Fiscal Year 1988, the ARNG received funding to begin developing data bases and applications identified in the IMP. In FY 89, $15 million is budgeted to support IMP initiatives.

GUARD FACILITIES

The Army National Guard (ARNG) Plan provides command direction and guidelines for shaping the future of the Guard and establishes priorities of the Director, Army National Guard and Chief, National Guard Bureau. The facilities program has been developed within the constraints of available resources to support this Plan. Each state must give command emphasis to modernizing existing facilities where economically practical or to combining new units at existing armories as an alternative to the final option of new construction to satisfy immediate facilities needs. Priority for construction is given to new force structure and significant changes in the existing structure, new combat equipment, expansion of the training base to include modern ranges and troop support facilities, and renewal or replacement of critically obsolete armories.

Following The Army Plan (TAP) guidelines for improved quality-of-life of the soldier and improved readiness of aircraft and combat equipment maintenance facilities across the board have been given priority to correct shortfalls in work areas.

The $140 million FY 87 Military Construction program was the largest authorized with 77 major projects valued at $100 million and 75 additional projects, each costing $400,000 and under for a total value of $20 million. The five-year program for acquiring regional training centers was started with the first maintenance training centers authorized at Ft. Bragg, North Carolina; Camp Shelby, Mississippi, and Camp Dodge, Iowa. New and expanded armories required for the reactivated 29th Division were started in Virginia.Of the 77 projects authorized, 74 were executed during FY 87 including 46 armories, 11 maintenance shops, 15 training site improvements, ranges, barracks or regional training center projects and one aviation support facility and USPFO office. One authorized project was cancelled and the remaining two projects should be awarded during FY 88.

The enacted FY 88 program of $182 million includes 39 armories, 17 training site projects, 11 aviation facilities, 18 maintenance shops and 8 other support facilities including the authorization of the first phase to the National Guard Center. Congress added 16 armories and 9 other projects to the requested program, but significantly reduced funding for the Center building to partially finance these additional projects.

Current Army planning indicates significant reductions in future funding levels for all Army military construction program. The Army Plan places greater emphasis on maintaining what is currently in the system and reduces new construction to minimum essential needs. These planning guidelines contain reductions to the projected Army National Guard Military Construction funding stream, resulting in fewer possible projects for renewal or modernization of existing facilities. Project types which are to be given lower command priorities include training site barracks and supply buildings, vehicle storage buildings, armories that are functional but require expansion for accommodating assigned units and personnel, and classroom space where alternatives can satisfy the requirement on an interim basis.

The backlog of construction requirements remains at about $2.4 billion. Current trends of retrenchment on planned construction programs and new requirements driven by force structuring initiatives will adversely impact on this backlog. The reduced construction programs will add two to five years to planned programs such as securing the necessary facilities for the reactivated 29th and 35th Divisions, the new missions assigned to the 49th Division and the 27th Brigade, and organizing the new 3rd Brigade of the 42nd Division (NY-ARNG).

The extended programs and reduced annual investment for renewal will require continued use of the aging and often inadequate facilities for a longer period of time. The replacement rate for armories could again approach the 100 year cycle as it was up to fiscal year 1985. Such actions will create increased demands for both State and Federal operations and maintenance funds to continue leases and to operate inefficient facilities.

ARNG SAFETY PROGRAM

Each year the ARNG fields an all encompassing special emphasis campaign based on past accident experience. Using films, videotapes, posters and other innovative media, specific countermeasures are developed to reduce adverse accident trends. Since the first campaign in 1980, accidents have trended downward with the most notable being a reduction in Army motor vehicle accidents from 11.00 per million miles driven to 1.20 in 1987. Safe AT 87, of which the ARNG was the major player, had a net result of a 23 percent reduction in annual training accidents during 1987.

The ARNG safety effort was excellent in FY 87. Overall ground accidents were 394 less than SafeArmy 1990 objectives. Through the use of precisely targeted accident prevention efforts, personnel injury, Army motor vehicle, and Army combat vehicle were significantly reduced.

The ARNG Class A aircraft accident rate for FY 87 was 1.13 aircraft accidents per 100,000 flying hours. This rate compares quite favorably to the Army wide rate of 2.22. In fact, the ARNG Class A experience represents only 10 percent of the Army-wide statistics (4 of 38) and our Class A through C experience represents only 13 percent of the total Army experience (17 of 127).

CONCLUSION

The task ahead is not an easy one. In the face of severe budget constraints, the challenges facing the Guard will be even greater than in the past. The Army Guard has grown considerably in the last ten years. It must continue to grow to maintain the momentum that has been built up over the last decade. Since the late 1970s, the Army National Guard has increasingly become a more important player in our nation's defense. This has been accomplished because of dedication on the part of all involved. The individual soldier has been willing to train extra hours and, when required, to deploy to distant training areas to gain as much expertise as possible on the latest techniques and equipment. The leadership of the Guard has been committed to finding new and innovative ways to train, motivate and provide the best for the least cost. The Army has been fully supportive of the Guard as an equal partner and has provided the latest equipment and unparalleled training opportunities. The Congress has been willing to direct the necessary funding to carry out these crucial programs which make the ARNG a vital part of the Total Army. The partnership between the Army National Guard, the Army, and the Congress has worked well to fashion an Army Guard fully capable of serving as an equal partner - an "Army on Call" - for this nation's defense. We must continue this trend in the coming years.

ARMY NATIONAL GUARD BUDGET

NATIONAL GUARD PERSONNEL, ARMY

The FY 88/89 National Guard Personnel, Army (NGPA) budget request of $3,325 provides pay and related expenses for Army National Guard personnel. The FY 89 budget maintains end strength (457,270 including an AGR strength of 25,725) at FY 88 levels. Besides pay and allowances for ARNG soldiers, NGPA funds pay for School Training ($179M) and Special Training ($102M). These two accounts provide overseas training, mobilization exercise training, retraining required to meet force structure changes, and professional development training so critical to an ever more rapidly deploying Guard. While the School Program will increase in FY 89, the Special Training account will experience a reduction of $25 million in the FY 89 budget over the Fy 88 level.

NGPA ($ Millions)

	FY 86	FY 87	FY 88	FY 89
PAY GROUP A/P	1,641	1,459	1,570	1,631
PAY GROUP F	231	228	232	238
SCHOOL TRAINING	162	163	151	179
SPECIAL TRAINING	140	123	127	102
ADMIN/SUPPORT	922	1,035	1,101	1,122
EDUCATIONAL BENEFITS	66	75	53	53
TOTAL	3,162	3,083	3,234	3,325

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

The Operation and Maintenance, Army National Guard (OMARNG) provides operation, maintenance, and training support. The chart below provides a breakdown of the dollars requested. A key element in the OMARNG budget for FY 89 is the maintenance of the ARNG military technicians at the FY 88 level. These personnel comprise a part of the Full-time Unit Support program which provides administration, training, and logistical and maintenance support to the Guard. These individuals are critical to the Guard maintaining a readiness posture required by today's Total Force concept.

OMNG ($ Millions)

	FY 86	FY 87	FY 88	FY 89
TRAINING OPERATIONS	165	170	179	178
LOGISTICAL SUPPORT	1,031	1,148	1,176	1,160
BASE OPERATIONS	163	176	214	193
DEPOT MAINTENANCE	52	53	73	54
MANAGEMENT SUPPORT	102	135	148	149
RECRUITING SUPPORT	39	46	46	44
MEDICAL SUPPORT	14	14	19	17
PCIP	-	-	2	2
TOTAL	1,566	1,742	1,857	1,797

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The Military Construction, Army National Guard (MCNG) request for FY 89 includes funds for the construction of new armories, the alteration and/or expansion of existing armories, the construction of training facilities, and the construction of maintenance facilities as shown below.

	MCNG ($ IN MILLIONS)			
RESOURCES	FY 86	FY 87	FY 88	FY 89
MAJOR CONSTRUCTION	70	117	165	120
MINOR	15	5	5	7
PLAN/DESIGN	12	19	14	11
TOTAL	97	141	184	138
NO. OF PROJECTS				
ARMORY	32	45	39	30
AVIATION	4	1	10	5
TRAINING	9	17	20	13
MAINT/LOG	24	10	18	9
OTHERS	2	1	6	3
TOTAL	71	74	93	60

PREPARED STATEMENT BY MAJ. GEN. WILLIAM WARD, JR., USAR, CHIEF, OFFICE OF RESERVE

Mr. Chairman and Members of the Committee:

I am pleased to be here today representing the more than 600 thousand citizen-soldiers of the Army Reserve to present the FY 1989 Reserve Personnel, Army (RPA) and Operation and Maintenance, Army Reserve appropriation requests. I have a statement which, with your approval, I'll submit for the record.

The Army Reserve today is an essential element of the Total Army. It is the best Army Reserve our nation has ever had. It is more ready and better trained than it has ever been. It is also better led and better managed than ever before. However, funding constraints in FY 1989, if extended beyond that, threaten these achievements.

The Reserve Personnel, Army (RPA) budget request for FY 1989 will buy less than the FY 1988 appropriation. The FY 1989 request is for $2.3 billion, an increase of $21 million over the amount appropriated in FY 1988. However, including the FY 1988 pay raise, the FY 1989 request is actually a decrease of $3 million. (If the FY 1989 pay raise were taken out of the request, it would be a decrease of $71 million.) The FY 1989 request must also pay for the extension of the GI Bill and a full year's cost of the employer's share of FICA contributions on drill pay. These two items, totalling $77 million, were funded at the expense of training programs in the FY 1989 request.

While the buying power of the FY 1989 RPA request is reduced from FY 1988, it will nonetheless pay for a substantial U. S. Army Reserve Force. At the end of FY 1987, there were more than 288 thousand paid drill strength members of the Army Reserve assigned to troop program units. That number is expected to increase to over 292 thousand by the end of FY 1988. But there is no growth budgeted for in FY 1989.

The Total Army's increasing reliance upon the Army Reserve argues strongly for adequate numbers of drilling Reservists assigned to troop program units. Unless adequate personnel levels of drilling Reservists and full-time support are authorized, the new units required to fulfill newly assigned missions cannot be brought into the force structure unless other, already existing units are inactivated or have their missions and organizations changed or converted. There is a real limit to how far and how often the reserve structure can be stretched or adjusted without a serious loss of mobilization readiness.

Similarly, the FY 1989 request for Active Guard Reserve (AGR) is maintained at the FY 1988 level of 13,329. Civilian technicians will actually decline slightly to the FY 1987 authorized level of 8,032. While we remain committed to the need for an increase in Army Reserve full-time support, fiscal realities have required the deferral of that goal.

The Total Army mission requires compressed deployment schedules, which demand increased and unprecedented levels of reserve readiness. Full-time support is the single most essential factor in the calculus of Army Reserve readiness. No mere adjunct, full-time support is the enabler, the catalyst of increased readiness. Full-time support personnel, especially AGRs, allow drilling reservists to spend their limited training time actually training. Full-time personnel train, administer, plan, and perform maintenance and logistic functions of their units. The AGRs provide commanders increased flexibility to perform their missions because of their availability for overtime, schooling, and special assignments. Their expertise and in-depth familiarity with the Reserve experience make these AGRs uniquely effective in their roles as the key support personnel of our units. It is the presence of full-time support personnel, especially our AGR soldiers, that has allowed the Army leadership to assign increased missions confidently to its reserve components.

The relatively small numbers of AGRs and other full-time support personnel successfully enables RC units to replace more expensive AC units. In this sense, the investment in additional AGRs and ARTs is a particularly prudent one. The return on this investment in terms of the Total Army's ability to expand its mobilization and readiness capacity is especially significant in these days of severely constrained budgets.

The Individual Ready Reserve (IRR) is the Army's principal source of trained military personnel to serve as replacements and filler personnel for both Active and Reserve Component units. Its strength has grown from 213 thousand in FY 1981 to a FY 1987 end strength of over 287 thousand.

The FY 1989 request also included $42 million for various incentive programs and $39 million for education benefits. These programs are a significant help in maintaining our unit strength. The incentive program pays a variable bonus to persons enlisting in the Army Reserve in specific critical skills or high priority units. The education benefit program helps build a stronger, smarter Army Reserve. These programs are complementary and both are essential to attaining our strength goals.

Although the programs above have been maintained at satisfactory levels, considering the mission, there is an offsetting decline in other training funds of $40 million or 14%. Although the loss of training opportunities is always of concern, the Army Reserve's essential training requirements will continue to be met in FY 1989.

In a year when the end strength of the Active Army is being reduced by 10,000 soldiers, lack of paid drill and full-time support strength growth within the Army Reserve will add risk to the Total Army's ability to expand its readiness and mobilization capacity. Numerous changes to the Army Reserve's force structure intended to realign it more closely with wartime requirements will have to be deferred to some uncertain date in the future or accomplished within current end strength limitations. Such "out of hide" changes raise the level of risk of personnel and structure turbulence that may degrade the Army Reserve's ability to improve its mobilization readiness. Turbulence may also result when we are required to place new structure, and relocate, in response to populatons shifts, existing units to areas of our country that can demographically support our personnel requirements. Many of the Army Reserve's modernization efforts may also have to be deferred as the issue of some new equipment items must be delayed until the full-time support personnel required to maintain them are authorized.

In the years beyond FY 1989, difficult choices will have to be made between retaining existing structure and activating programmed structure in the face of constrained funding. We will predicate our decisions upon an objective analysis that structures a USAR force that best meets the requirements of our war fighting commanders-in-chief.

The operation and maintenance support of the Army Reserve has also been reduced significantly. The Operation and Maintenance, Army Reserve (OMAR) budget request for FY 1989 is for $795 million, a decrease of $63 million from FY 1988. This is after price inflation and pay raises have been included in the FY 1989 request. Achieving this reduction requires a reduction in BASOPS support, unit supplies and equipment replenishment, as well as major reductions in the IRR and 40 and over cardiovascular screening programs. Finally, personnel could not be totally exempted from the cuts. The Army Reserve is reducing civilian technicians and Department of Army civilians by 400 and 200 respectively. We expect that these reductions, severe as they are in a small program, will leave all essential operations intact through FY 1989.

The bright spot to date has been equipment. Since FY 1981 the Army Reserve has received approximately $1.1 billion worth of equipment from both the Dedicated Procurement Program and Army procurement combined.

This equipment has substantially improved the Army Reserve training and capabilities. Progress is being made; however, we were still short $2.2 billion of our wartime required equipment levels at the end of FY 1987, according to the Annual Report of the Reserve Forces Policy Board for FY 1987.

In conclusion, as you consider our budget requests for FY 1989, I would like you to bear in mind the words of Secretary Marsh and General Vuono in their recent joint posture statement for the Army:

"The assignment of appropriate missions to the RC continues to be a cost effective means of expanding Total Army readiness and mobilization capacity."

"The Total Army's growing reliance upon the RC reflects its [increasing] competence and professionalism. The RC is no longer merely a supplement to the Active Army. Today it is an essential element, rounding out key divisions of the Total Army, with some RC units deploying before those of the Active Army."

The point here is a simple one: the Reserve Components, properly staffed, equipped, and trained can do the jobs and accomplish the missions assigned to them. By virtue of their being part-time, our citizen-soldiers enable the Total Army to accept additional missions at a fraction of the Active Army's cost.

In these days of tight budgets they are the best bargains in DoD. However, it is esssential that we recognize that their budgets represent bare bones requests, so constrained that any reductions, however minimal, cut through muscle, nerve, and sinew into the very bone of readiness. There are basic levels of manning, training, and equipping that must be met if the Reserves are to remain effective partners in the Total Force. Your help is absolutely essential if we are to continue to meet the requirements of today and the challenges of tomorrow.

That concludes my statement. Do you have any questions?

PREPARED STATEMENT BY REAR ADM. FRANCIS NEALE SMITH
U.S. NAVAL RESERVE, CHIEF OF NAVAL RESERVE

Thank you for this opportunity to appear before you to report on the progress in modernizing and expanding the Naval Reserve and to present our program for Fiscal Year 1989. This is my first opportunity to appear before this committee since assuming the responsibilites of the Chief of Naval Reserve last May. I believe it is important to note that I am the first Reserve officer and also the first Surface Warfare Officer to head the Naval Reserve. Over the past nine months, I have spent nearly a quarter of my time in the field, at the air sites, in the Reserve Centers, listening to the Reservists, assessing their training and evaluating our direction and our readiness. I can report to this committee that our people are magnificent, our direction is right and our readiness is good. The one message I receive throughout is, give us the manning, the equipment and the training we need to properly discharge our responsibilities. Congress has made a substantial investment in the Naval Reserve during recent years and that investment has been put to good use. Please allow me to discuss with you where the Naval Reserve is today and where we are going.

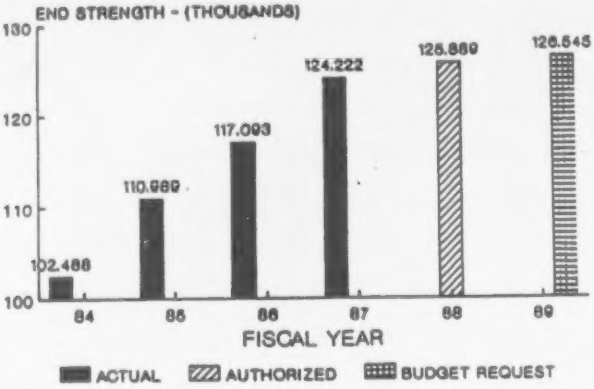
A READY AND INTEGRATED FORCE

Shortly after he became Chief of Naval Operations, Admiral C. A. H. Trost said: "I look very strongly on our Reserve component as part and parcel of the active forces. They are part of our total capability. Without them, we couldn't operate." That message from CNO is confirmed by what I hear from the CINCs, the fleet commanders, program sponsors in OPNAV and gaining commands throughout the Navy; the Reserve is part of the team, the Total Force is working. One of the best examples is the continued horizontal integration of fleet compatible equipment, into the Naval Reserve. In Fiscal Year 1988 we will add four Oliver Hazard Perry class FFG-7s and one Knox class FF-1052 to the Naval Reserve Force, bringing our ASW frigate total to 24. We will also start installing the SQQ 89 ASW system on our FFG-7s; that's the same system that is being installed on new construction combatants and retrofitted on existing destroyers and frigates. By 1990 we will have 26 frigates, nearly one-fourth of the Navy's ASW frigate force. In the Naval Air Reserve, modernization through horizontal integration is also a top priority. Nowhere is it more evident than in our TACAIR community where our strike fighter squadron at Point Mugu, CA, will complete transition to the F/A-18 this spring -- the second squadron to do so. Our fighter squadrons will complete transition to the F-14 this year. The light attack squadron at Alameda, Ca will begin transitioning from the A-7E to the medium attack A-6E and KA-6D tanker this fall; a second will convert by 1990. This will bring a needed medium attack and updated tanker capability to the Reserve Air Wings. The delivery of new production P-3C update III aircraft at Jacksonville, FL is the first step in replacing our aging fleet of P-3A/B maritime patrol aircraft. With this equipment comes other needs. We need adequate numbers of properly trained Naval Reservists, Full-Time Support personnel, and the assets and facilities to provide the necessary training.

Selected Reserve Strength

Fiscal Year 1987 has shown a continued increase in drilling Selected Reserve strength. These Selected Reservists, over 124,200 at the end of the Fiscal Year 1987, are the heart of the Naval Reserve Program. They are the Navy's primary source of immediate mobilization manpower. Our drilling Reservists will grow to 125,889 by the end of FY-88 and level off in FY-89. We anticipate further growth in the future.

NAVY DRILLING SELECTED RESERVE*



*RESERVISTS IN PAID STATUS (CATEGORIES A & Q); DOES NOT INCLUDE TRAINING PIPELINE OR FULL-TIME SUPPORT (TAR & TEMAC) PERSONNEL

The requirement for Selected Reservists, and all other manpower for mobilization, is determined by the Navy's Manpower Mobilization System (NAMMOS), based on the mobilization requirements of the Fleet Commanders-in-Chief and other major commands. The budget request of 126,545 Drilling Selected Reserve strength in Fiscal Year 1989 represents 93 percent of NAMMOS requirements. In Fiscal Year 1987, the requirement for all Naval Selected Reservists, of which 21,288 were Full-Time Support (FTS) personnel, was 148,375. In Fiscal Year 1988, the authorized end strength for Naval Selected Reservists is 152,600, of which 21,991 are FTS personnel.

SUMMARY OF NAVY SELECTED RESERVE PERSONNEL
(END STRENGTH)

	FY-87	FY-88	FY-89
DRILLING SELECTED RESERVISTS	124,222	125,889	126,545
TRAINING PIPELINE	2,764	4,314	3,676
NON DRILLING IMA	101	406	388
FULL-TIME SUPPORT (FTS) PERSONNEL	21,288	21,991	21,991
TOTAL	148,375	152,600	152,600

For Fiscal Year 1989 we are requesting a Selected Reserve end strength of 152,600, the same as that authorized for Fiscal Year 1988. This total includes 21,991 active duty Reservists who provide vital full-time support necessary to achieve our mission of providing a trained force, ready in all respects to mobilize. The requested Selected Reserve end strength is the minimum necessary to meet an expanded Naval Reserve role, specifically, to man additional ships and squadrons and provide additional personnel to the expanding mine countermeasures and medical support programs.

A continued no growth scenario will preclude any further expansion of Naval Reserve missions and could generate the need to reduce our capabilities in some mission areas in favor of emerging higher priority requirements.

There is no growth in our Selected Reserve end strength, and no increase in the number of Full-Time Support (FTS) personnel during Fiscal Year 1989. FTS personnel are for the most part Training and Administration of Reserve (TAR) personnel, but also include Reserve Recruiters on temporary active duty (TEMAC) and a small number of Selected Reserve Officers recalled for duty at headquarters and the seat of government in accordance with Title 10 U.S. Code, section 265. Our FTS personnel are vital to the attainment of the Naval Reserve mission; they are the manning continuity for Naval Reserve Force ships, Reserve aircraft squadrons (RESFORONS) and the entire Naval Reserve infrastructure. They provide the day to day training, maintenance and support functions associated with the modern state-of-the-art equipment in the Naval Reserve today. Our TARs perform the inescapable daily administrative and logistic functions so that we can make maximum use of our drill weekends to train and operate with our drilling Reservists. We need our

Full Time Support Personnel to accomplish our mission, to provide a "ready to mobilize" Naval Reserve.

SUMMARY OF FTS PERSONNEL

	FY-87 (1)	FY-88 (2)	FY-89 (3)
TAR/265			
TAR OFFICERS	1,738	1,885	1,885
265 OFFICERS	232	233	233
TAR ENLISTED	18,087	18,396	18,396
SUBTOTAL	20,057	20,514	20,514
TEMAC RECRUITERS			
OFFICER	125	185	185
ENLISTED	1,106	1,292	1,292
SUBTOTAL	1,231	1,477	1,477
TOTAL FTS			
OFFICER	2,095	2,303	2,303
ENLISTED	19,193	19,688	19,688
TOTAL	21,288	21,991	21,991

(1) ACTUAL
(2) AUTHORIZED
(3) REQUEST

The Navy men and women we call TARs are unique in the Armed Forces. They are career military personnel whose chosen speciality is to administer and train our drilling Reservists. They are Reservists on full-time active duty and are in most cases indistinguishable from their regular component counterparts. TARs experience the same permanent change of station (PCS) moves, are on call seven days a week, are subject to the same "no notice" deployments and separations, and perform the same tasks as those who serve with the active Navy. In fact, at any given time, approximately one out of every five TAR officers is serving with a regular component activity, mostly as integral parts of the crews of active component ships and aircraft squadrons. They bring that fleet experience into the Reserve. TARs in RESFORONs receive the same training and meet the same standards as active force personnel. They operate from coast to coast, deploy aboard carriers and frigates and train overseas. TARs provide flexibility to many Reserve units by enabling them to deploy when needed even without involuntary recall of the assigned Selected Reserve personnel. TARs were aboard Naval Reserve Force ships that deployed on very short notice for duty in the Persian Gulf. Because we had the right people and adequate numbers of them, our transport squadrons were available for immediate use in Grenada and Beirut; and our Reserve Combat Search and Rescue Helicopter squadron was able to assist in the Libya air strike.

The Fiscal Year 1988 authorized and the Fiscal Year 1989 budget request for Full-Time Support personnel ~~is~~ barely adequate to meet existing requirements. It leaves little, if any, latitude to meet the requirements of manning ships and squadrons, expanding mine countermeasures and medical programs, continuing the TAR rating expansion and training our Reservists to satisfy increasingly more complex mobilization requirements. Without sufficient FTS personnel we must depend upon the active component to maintain the Reserve Force ships and squadrons. This exacerbates an already heavily committed active component manning situation. In addition, the paucity of FTS personnel at our Naval Reserve Centers has required drilling Reservists to provide their own support at the unaffordable expense of scarce training time. The resulting impact on mobilization readiness dictates that we provide the field with critically needed FTS personnel.

I will now discuss our drilling Reserve personnel.

Turnover rate is the best measure of personnel stability and is calculated as losses divided by the sum of beginning inventory plus gains during a fiscal year. A lower turnover rate means a stable, more ready force. I believe we have our turnover rate under control. To maintain that control we are doing a number of things. We are targeting recruiting to specific skills in specific areas. This is hard, but it puts the right person in the right billet in the right place so he or she can be trained. Good training is the key to retention. We are reducing the paperwork our Selected Reserve Personnel are now doing on their drill weekends. Reservists want good, hard, meaningful-training, and do not want to waste their drill weekends shuffling paper and filling out forms. We are beginning to use Automatic Data Processing (ADP) to accomplish burdensome, yet essential, tasks. In November of 1987, the Naval Reserve Standard Training Administration and Readiness Support (RSTARS) was implemented. RSTARS will provide such administrative items as muster lists, recall bills, fitness reports and mailing lists. Additionally, RSTARS will have medical, dental classification, and urinalysis test reports. Soon we will add software to handle training packages which will include: Annual Active Duty for Training and Inactive Duty Training Travel (IDTT) training plans, fiscal year training plans, Readiness Command training plans, individual qualification reports, Reserve Center consolidated training plans, and unit training schedules. This is an exciting system and has all come about in the past year and a half as a part of SPUR, the Surface Program to Upgrade Readiness, which I will discuss later.

Building and retaining a quality manned Naval Reserve Force requires removal of as many job "dissatisfiers" as possible, and we are working on that. Of particular concern is retaining those members assigned to high priority units. Our Naval Reserve ships for example, are underway from Friday evening until Sunday afternoon on most drill weekends. Most of those young Reservists have to arrange to leave work early, get to their ship, get underway, and stand "sea detail" until they reach open water. They go on watch, conduct exercises, and equipment casualty drills and then return to port late Sunday afternoon. They have done a lot of work, have gotten very little sleep and they are tired. The next morning they are back at their civilian job. Except for the fifth paid drill on Friday evening, these Reservists receive no additional incentives for serving in that arduous around-the-clock, at sea environment. Their fellow Reservist assigned to drill at shore activities, receive the same pay and retirement credit, yet are free to spend evenings after normal working hours with friends or family. To be sure, our sea-going sailors take pride in their performance, but it is unreasonable to rely solely on pride to man our Naval Reserve ships. A $10 per drill period unit incentive pay would provide an inexpensive monetary incentive and a strong signal that their efforts are being recognized. Changed

Naval Surface Reserve

The number of ships in the Naval Reserve Force will grow to 48 at the end of Fiscal Year 1988 with further growth anticipated.

NAVAL RESERVE FORCE SHIPS

SHIPS	FY-87	FY-88	FY-89
FFG-7	12	16	16
FF-1052	7	8	8
DD-946	1	1	1
LST	2	2	2
LSD-38	0	0	0
LPD-2	0	0	0
MSO	18	17	13
MCM	0	1	5
MHC	0	0	0
ARS	3	3	3
TOTAL	43	48	48

Seven Reserve fleet hospitals have been established (two of them were established in October of 1987) with the next one planned for Fiscal Year 1990. We will commission three more Mobile Inshore Undersea Warfare (MIUW) units in Fiscal Year 1988 and another three in Fiscal Year 1989 for a total of 26 units.

Mine warfare is another area where the Surface Reserve is making major changes. At present, 82 percent of the Navy's minesweeping capability is in the Naval Reserve. In Fiscal Year 1988, we will receive the first "Avenger" class Mine Countermeasures (MCM) ship with four more programmed for Fiscal Year 1989. These new-construction ships will be assigned to the Naval Reserve after each operates as part of the active force for approximately one year. We will introduce five additional Craft of Opportunity Program (COOP) units for a total of sixteen at the end of Fiscal Year 1988.

NAVAL SURFACE RESERVE FORCE FY-89

FRIGATES	MINESWEEPERS	AMPHIBS	SUPPORT	TOTAL
25*	18	2	3	48

CONSTRUCTION BATTALIIONS	17
CARGO HANDLING BATTALIONS	13**
COOP UNITS	19
MIUW UNITS	26
SPECIAL BOAT UNITS	4
FLEET HOSPITALS	7

* INCLUDES 1 DESTROYER, DD-946
** INCLUDES 1 ACTIVE (TAR) TRAINING BATTALION

The majority of the Surface Reserve Force is comprised of over 3,000 reinforcing and sustaining units manned by more than 81,000 Selected Reservists. These units provide augment personnel for active Navy ships, combat and combat support organizations such as Amphibious Forces, afloat staffs, Special

Warfare Forces, Naval Control of Shipping, Advanced Bases and the Naval Oceanographic Command. The majority of these personnel drill at our Readiness and Reserve Centers and their gaining commands.

Naval Air Reserve

Modernization through horizontal intergration continues in the Naval Air Reserve. I mentioned earlier that our strike fighter squadron at Point Mugu, CA, will complete its transition to the F/A-18 this spring, and our fighter squadrons will complete their transition to the F-14 this year. As part of our fighter transition, we received four new production F-14s ~~this~~ past year. The Congressional addition of A-6E aircraft in the Fiscal Year 1986 budget opened the door for establishment of a medium attack capability in our Reserve carrier air wings. Our attack squadron at Alameda, CA, will begin transitioning from the light attack A-7E to the medium attack A-6E in September of 1988; a second squadron will convert by 1990. These squadrons will also receive KA-6D tanker aircraft which will allow us to disestablish our two existing tanker squadrons of KA-3B aircraft, which face service life expiration. With the transition of our electronic warfare squadrons from EA-6A to EA-6B programmed to begin in Fiscal Year 1989, we will have both our carrier air wings modernized and of the same tactical composition as the active force.

Our Maritime Patrol Air capability was enhanced markedly in December of 1987, with the introduction of new production P-3C Update IIIs into our patrol squadron in Jacksonville, FL. New P-3C Update IIIs, purchased with the funds appropriated in Fiscal Year 1988 in the National Guard and Reserve Equipment account, will enable us to start the transition of a West Coast squadron.

Additionally, five of the thirteen squadrons are now equipped with the AQA-7 triple-vernier acoustic sensing equipment and the remaining eight are slated for that equipment in Fiscal Year 1989.

The Naval Reserve presently operates 27 C-9B/DC-9 and 2 C-131H aircraft. Four of these C-9 aircraft are not cargo capable. The two C-131H aircraft are much older and difficult to maintain. The Center for Naval Analyses' DON Organic Airlift Study, 1986 shows a 60% shortfall in the Navy inventory for heavy to medium lift aircraft to support the Navy intra-theatre airlift during wartime. We will address acquisition of additional aircraft to perform these missions during the formulation of future budgets.

We continue to make excellent progress in modernizing our helicopter community. We will consolidate our two Naval Reserve Light Attack Helicopter (HAL) squadrons and the Navy's only Combat Search and Rescue (CSAR) squadron to form two Helicopter Combat Support Special (HCS) squadrons, one on each coast. The first of these two squadrons will stand up in October of 1988 and the second in Fiscal Year 1990. These dual mission squadrons provide the Navy's primary capability for Combat Search and Rescue and special warfare support. They will fly a new aircraft specifically designed for these missions, the HH-60H, which was procured exclusively for the Naval Reserve. Plans call for the delivery of the first of these aircraft in Fiscal Year 1989 and with the funds appropriated by Congress in Fiscal Year 1988, we plan to complete the buyout and have all 18 onboard by the end of 1991.

In Fiscal Year 1987, the Naval Reserve gained a new mission area with the commissioning of the first of two Reserve Airborne

Mine Countermeasures (AMCM) helicopter squadrons which fly the RH-53D. The second squadron will be commissioned in Fiscal Year 1989. To enhance their responsiveness to fleet requirements, these squadrons will be located on opposite coasts. To further increase their effectiveness, we are looking at a Mobile Support Van for these squadrons which will increase their mobility, supportability, and sustainability.

NAVAL AIR RESERVE FORCE MODERNIZATION

AIRCRAFT	PHOTO FIGHTER ATTACK	TANKER	ELECTRONIC WARFARE	ADVERSARY	PATROL	TRANSPORT	HELO
FY-89	24 F/A-18s	6 KA-3Bs	4 EA-6As	2 A-4Fs	26 P-3As	2 C-131Hs	24 SH-2Fs
	48 F-14s		7 E-2Cs	6 A-4Es	81 P-3Bs	4 T-39Gs	5 HH-3As
			4 EA-6Bs	4 TA-4Js	10 P-3Cs	17 C-9Bs	12 SH-3Ds
	36 A-7Es	4 KA-6Ds				10 DC-9s	11 HH-1Ks
	6 F-4s					8 UC-12Bs	10 RH-53Ds
	10 A-6Es					2 C-20s	5 HH-60Hs

MOBILIZATION READINESS IMPROVEMENTS

Today's Naval Reserve readiness is measured against a more stringent set of criteria than has ever been applied. Gaining commands in consonance with their resource sponsors are defining Reserve mission expectations and mobilization billet requirements. While the acquisition of modern hardware is a major part of improved readiness of the Reserve, along with modern equipment must come better training. Training is vital - both to utilization of new equipment and to recruit and retain quality personnel throughout the force. Personnel assigned to non-hardware units, both air and surface, comprise approximately 77 percent of the Naval Reserve.

The toughest challenge is in training Reservists in non-hardware units -- those units which normally train each month at Reserve centers. We estimate that over 50 percent of Selected

Reserve turnover is caused by our inability to provide meaningful training to our Reservists. The need for better training was reconfirmed in the DOD 1986 Reserve Components Surveys.

The Surface Reserve Training Program, a part of SPUR, (Surface Program to Upgrade Readiness) which was briefed at hearings last year by VADM Kempf, is responding to the training needs of the Surface Reserve. The sixteen Naval Reserve Readiness Command staffs are being internally restructured to emphasize readiness improvement of supported units. This will more effectively use our scarce Full Time Support personnel at the field training sites where they are needed. A network of "Readiness Centers" - enhanced training sites - will provide training in specific disciplines for Reservists who drill at smaller Reserve Centers in the surrounding area. Readiness Centers will provide concentrated training to more effectively meet the training and readiness needs of supported units. These Readiness Centers will be staffed and equipped to conduct high quality mobilization and skill related training utilizing damage control trainers, shipboard simulators, new training technologies including computer aided training, and Navy Enlisted Classification (NEC) Qualifying courses to mention but a few.

Surface training initatives are already starting to work. For example: (1) In the past year and a half, we have gone from virtually no ADP equipment in the field to a viable, working program which is eliciting rave reviews from its users. For instance, an Automated Billet Qualification Tracking System (ABQTS), which monitors Reservists from entry level skills to achieving all billet qualifications, is being implemented; (2) We are beginning to use "exportable training" which is a program to bring (export) fleet instructors to Reserve Centers to conduct training. For training which can be conducted in a Reserve

Center, it is less expensive to bring in one instructor than to transport an entire unit on IDTT; (3) many of the lengthy formal schools needed by Reservists to complete their Reserve Billet Training Plan requirements, are being divided into components, or modules, which Reservists can complete during a series of IDTTs and ACDUTRA; (4) Civilian Augmented Training (CAT) - Some Reservists will attend vocational technical classes taught by civilian instructors contracted by the Naval Reserve; and (5) Shop Qualification Improvement Program (SQIP) - SQIP is an onboard training program for Intermediate Maintenance Activities that accelerates achievement of journeyman skill level and professionalism in all aspects of repair from the planning stages through post repair checkout and testing.

Our first fully functional Readiness Centers, at Houston and New Orleans are on line. Great Lakes and San Diego will follow in a few months. The remaining Readiness Centers will be incrementally phased in to allow for orderly changes in manning and the addition of automatic data processing.

Including the Naval Reserve in the Navy Training Plan (NTP) process has been another big step toward achieving improved readiness. Training requirements for Reserve units are established by the Navy Resource Sponsor. The NTP process identifies all resources required to carry out the required training, achieve readiness, and provide the basis for funding. Reserve Navy Training Plans are under development for all areas (geographic areas which correspond to Readiness Centers) and programs (which are associated with distinct Reserve programs, e.g., Naval Control of Shipping, Fleet Hospitals, Amphibious CB'S, ETC.).

The cornerstone of our training initiative is the IDTT program which links Naval Reserve units to their active duty gaining commands. IDTT gets the Reservist to his gaining command or mobilization training site for training on the drill weekend. We get more and better training and improved readiness and both the Reservists and gaining command love it.

When the Naval Reserve Force minesweepers and FFG-7 class ships were deployed in Fiscal Year 1988 to the Persian Gulf, we had to find ways to train the Selected Reserve crewmembers who were left behind. The Selected Reserve crews from five deployed MSOs and two deployed FFGs now drill on alternate ships of the same class in the same homeports. Reservists operate fully integrated with the fleet to meet today's mission. They sail in harm's way. In December, the Reserve frigate USS JOHN A. MOORE deployed to the Persian Gulf. 22 sailors who deployed with the ship were volunteer Reservists. Selected Reserve personnel also volunteered for duty and are currently serving onboard our minesweepers ordered to the Gulf. Other Reservists have worked 18-hour days using their special planning and control of shipping skills to keep tanker convoys moving on schedule in close coordination with their U.S. Navy escorts. These examples of current operations exemplify the successes of a highly motivated and capable Total Force concept.

In the Naval Air Reserve, Squadron Augment Units assigned to Fleet Readiness Squadrons are training in fleet aircraft. Two Master Augment Units have been training maritime patrol crews using P-3 aircraft temporarily assigned to the Naval Air Reserve from fleet inventories. For all Naval Air Reserve personnel we are using Reserve Training Tracks which is an automated system that defines and monitors specific mobilization training status.

NAVAL RESERVE FUNDING REQUEST

The Naval Reserve is provided essential personnel and operational support by two appropriations: Reserve Personnel, Navy

(RPN) and Operation and Maintenance, Navy Reserve (O&MNR).

The President's Budget also requests $145.6 million in Fiscal Year 1989 in the Aircraft Procurement, Navy (APN); Weapons Procurement, Navy (WPN); and the Other Procurement, Navy (OPN) appropriations in direct support of the Naval Reserve. Further, the Fiscal Year 1989 Military Construction Naval Reserve (MCNR) appropriation request of $48.4 million will provide much needed design and facilities construction for the Naval Reserve and Marine Corps Reserve.

I would like to discuss the RPN and O&MNR appropriations in more detail.

Reserve Personnel, Navy (RPN)

The RPN appropriation is divided into two budget activities. Budget Activity One provides funding for Unit and Individual Training. Budget Activity Two funds Other Training and Support including active duty TAR personnel, the Naval Reserve Officer Training Corps, Armed Forces Health Professions Scholarship Program, and the Navy Junior Reserve Officer Training Corps. Our Fiscal Year 1989 RPN budget request is for $1,621.4 million which includes $728.5 million for Budget Activity One and $892.9 million for Budget Activity Two. This represents a total increase of $108.4 million over Fiscal year 1988, and is primarily the result of pay raise annualization, Social Security rate escalation, the Individual Ready Reserve (IRR) recall, the full year cost of employer's contribution for FICA tax on Inactive Duty Training pay, and other training support costs.

The Fiscal Year 1989 Budget Request continues funding for a one day recall of members of the IRR. The Fiscal Year 1987 IRR recall validates its importance to evaluate the availability and readiness of this major source of trained personnel. The Reserve incentive program which includes selective implementation of prior and non-prior service enlistment, reenlistment, Reserve affiliation and IRR bonuses.

The budget submission also requests funding for Reserve incentive programs which include medical recruiting incentive payments to enhance Reserve recruiting of physicians and nurses with critical wartime medical skills. This includes stipend and education loan repayment programs which were first authorized in Fiscal Year 1986.

Operation and Maintenance, Navy Reserve (O&MNR)

The Naval Reserve is dependent upon funds in the O&MNR appropriation for support of Mission Forces, Depot Maintenance, and Other Support. Support for Mission Forces includes funds for fuel, intermediate maintenance, repair parts and related support for the operation of aircraft in both the Naval Reserve and Marine Corps Reserve. It also includes operating, maintenance and support funds for Naval Reserve Force ships, as well as funds for Reserve Construction Battalions, Cargo Handling Battalions, Mobile Inshore Undersea Warfare (MIUW) units and Special Combat Support Forces. Depot Maintenance includes funds for the rework of airframes and engines, the installation of aircraft modifications and Contractor Engineering Technical Services support. The Other Support category provides funding to operate and maintain Reserve Air Stations, Reserve Centers, and other Reserve facilities supporting Naval Reserve forces and for various command and administrative activities, including training, recruiting and advertising.

The funding requested for the O&MNR appropriation for Fiscal Year 1989 is $979.2 million, which is a $49.3 million net increase over the Fiscal Year 1988 funding level of $929.9. Mission Forces (Budget Activity 1) increases $44.2 million, Depot Maintenance (Budget Activity 2) decreases $2.5 million, and Other Support (Budget Activity 3) increases $7.6 million.

The increased O&MNR funding levels in Fiscal Year 1989 are earmarked as follows for new mission and growth areas: (1) Increased aircraft operating and maintenance costs in support of the A-6E, KA-6D, RH-53D and HH-60H aircraft; (2) Funding of the Reserve flying hour program at 87 percent of the Primary Mission Readiness (PMR) level, which places the tactical Naval Air Reserve Forces on the same percentage basis (although fewer hours) as the active forces; (3) Additional maintenance and modernization costs resulting from the installation of two AN/SQQ-89 sonar systems aboard Reserve FFG-7 class ships; (4) Expansion of the mine countermeasures Craft of Opportunity (COOP) Program; and (5) Increased training, equipment, and base operating support requirements associated with growing Selected Reserve strength levels as the Naval Reserve builds toward the Navy Manpower Mobilization System (NAMMOS) goals.

Programmatic decreases primarily reflect: (1) Reduction in the flight hour program for Squadron Augmentation Unit fleet requirements; and (2) Fewer airframe and engine reworks and modification installations.

SUMMARY

In his first address to Congress as President, George Washington said, "To be prepared for war is one of the most effectual means of preserving the peace." The Naval Reserve of today is instrumental in achieving and maintaining those means. I will summarize my statement with the following points:

o The emphasis of our budget request is on achieving fleet mobilization requirements ... to be ready now to do what we must be able to do on "M-Day".

o Our highest priorities are to provide the Full Time Support personnel, training programs and organizational structure needed to increase our Reservists readiness by providing meaningful mobilization training.

o The ability of the Naval Reserve to respond is evident in our day-to-day involvement in the Navy mission around the globe. This is amply demonstrated by our voluntary involvement in the ongoing Perisan Gulf operations.

o We are more ready today than we have ever been to perform our role in the national defense. With your continued support we will further our improvements in readiness.

I will be happy to respond to any questions or provide any additional information you may require.

Prepared Statement of Major General J. W. MOORE
Deputy Chief of Staff for Reserve Affairs

Mr. Chairman, distinguished members of the Committee, it is a privilege to report to you on the current posture and future programs of the Marine Corps Reserve.

I am pleased to report the Marine Corps Reserve has continued to improve its combat readiness and warfighting capability. Its military capability is higher now than it has ever been. Your support for our manpower, equipment, facilities and maintenance requirements has made these gains possible.

Examples of this improved posture include:

- Participation by over 23,000 reservists in major exercises within the continental United States and abroad (Germany, Norway, Egypt, Korea, Philippines and Thailand).
- Achievement of 100 percent of our nonprior service recruiting goals with 98 percent high school graduates.
- Substantial equipment modernization in air and ground elements of the Selected Marine Corps Reserve.
- Achievement of 84 percent show rate during the Fiscal Year 1987 involuntary recall of the Individual Ready Reserve.

The framework for our future continues to be based on three fundamental strategies:

(1) Recruit, train, and retain quality personnel.

(2) Maintain the modernization effort to provide quality equipment.

(3) Improve Active and Reserve integration of personnel and equipment.

With the continued support of Congress and the Administration, this trend will continue, and the full potential of the U.S. Marine Corps Reserve's capability to contribute to the national defense as part of the Total Force will be realized.

RESERVE ROLES

The mission of the Marine Corps as this Nation's force-in-readiness for power projection determines our structure and Active/Reserve component mix. Charged with maintaining the assets to mobilize rapidly, the Marine Corps Reserve augments and reinforces the three active Marine Expeditionary Forces, bringing them to their full strength for contingencies. The Reserve also provides the option of expanding the Corps by fielding an additional division, aircraft wing, and force service support group.

U.S. Marine Corps Reserve roles on mobilization are:

- Augment the Active Force to field three active Marine Expeditionary Forces at full wartime strength.
- Reinforce the active Marine Expeditionary Forces with Selected Marine Corps Reserve units to provide additional desired capabilities.

- Provide the capability to field a Marine Expeditionary Brigade with reduced aviation and limited combat service support capabilities.

- If augmentation, reinforcement, and/or providing a Marine Expeditionary Brigade is ordered, the Reserve will provide a nucleus for reconstituting a division, aircraft wing, and force service support group.

- If augmentation, reinforcement, and/or providing a Marine Expeditionary Brigade is not ordered, the Reserve can provide a division, aircraft wing, and force service support group.

Our program for the future does not anticipate any changes to the aforementioned roles. The force structure is organized to support the needs of the Active Force. Capabilities absent or insufficient in the Active Force will be incorporated in the Reserve component in the mid-range period to provide a balanced Marine Total Force capability.

To execute the employment roles, timely and effective training, fully integrated with the Active Force is essential. Training and interoperability mandate the same generation equipment used by the Active Force be available to the Reserve. Congressional support of budgetary proposals will permit us to accomplish this objective and realize the fullest potential of the Marine Corps Reserve.

The Active component of the Marine Corps provides the national defense effort an extremely capable and flexible resource based on three active Marine Expeditionary Forces. This capability is enhanced by the ability of the Navy-Marine Corps team to forward deploy Marine Air-Ground Task Forces. Requirements for Active Force manpower are driven, in part, by peacetime commitments as well as the anticipation of contingency response. The Reserve complements the Active component, and, considered as a Total Force, 25 percent of the Marine Corps' force structure and 33 percent of the trained manpower available to the Marine Corps are in the Reserve. The following chart depicts the major contributions made by the Reserve to the Total Force.

CHART #1

MARINE CORPS RESERVE CONTRIBUTIONS TO THE TOTAL MARINE CORPS

Unit Types 1	Percent of Total Marine Corps
Civil Affairs Groups	100
Salvage Platoons	100
Force Reconnaissance Units	50
Air/Naval Gunfire Liaison Companies (ANGLICO)	50
Force Service Support Group Military Police	40
Tank Battalions	40
Beach and Port Companies	40
Heavy Artillery Batteries	33
Division Reconnaissance Battalions	25
Light Anti-Aircraft Missile Battalions (LAAM)	25
Infantry Battalions	25
Marine Air Control Groups (MACG)	25
Marine Wing Support Groups (MWSG)	25
Bulk Fuel Companies	25
Force Service Support Groups (FSSG)	25
Forward Area Air Defense Batteries (FAAD)	25
Aircraft Types 2	
Observation Aircraft (VMO)	33
Aerial Refueling Aircraft (VMGR)	29
Light Attack Aircraft (VMA)	28
Fighter Aircraft (VMF)	20
Electronic Warfare Aircraft (VMAQ)	18
Helicopters (HML,HMA, HMM, HMH)	18

NOTES: 1. Percentages determined by counting like type units.
2. Percentages determined by counting primary authorized aircraft.

Data as of January 30, 1988.

The Individual Ready Reserve provides a pool of Pre-Trained

Individual Manpower which will be rapidly assimilated into the Active Force to meet our wartime requirements. Information on the composition and strength of the IRR will be addressed later.

FORCE STRUCTURE

SELECTED MARINE CORPS RESERVE

The structure of the Selected Marine Corps Reserve is the result of a deliberate planning process. As previously mentioned, the Selected Marine Corps Reserve is capable of providing trained units to the Active Force to increase warfighting capability. Similarity of Reserve and Active Force structure greatly enhances and streamlines the process of integrating Reserve component units with the Active Force upon mobilization. Overall combat readiness is enhanced and training costs are minimized by retaining similarity of structure.

Significant improvements in the quality of manpower have increased the readiness of the Selected Marine Corps Reserve. During Fiscal Year 1987 we continued to attract high quality nonprior and prior service personnel. In 1987, we again achieved 100 percent of our nonprior service recruiting goals with 98.2 percent of these young men and women possessing a high school diploma. Our match of unit requirements with qualified military occupational specialty trained individuals, has also substantially improved over the past year as reflected in a 3 percent gain over Fiscal Year 1986.

We were successful in recruiting prior service Marines as well, with 100 percent of our recruiting goal fulfilled. Recruiting efforts for our prior service reservists are designed to match military skills and experience to billet requirements or require military occupational specialty retraining as necessary. The result of this initiative is improved readiness while minimizing training costs.

Retention of Marines in our Reserve units has improved substantially with a 3 percent increase over Fiscal Year 1986. We attribute this positive trend indicator to the Montgomery G.I. Bill, congressionally approved incentives and increased command emphasis on retaining quality Marines.

The Fiscal Year 1987 Selected Marine Corps Reserve end strength was 42,253, an increase of 671 over Fiscal Year 1986. The Fiscal Year 1988 plan calls for a goal of 43,600. The Fiscal Year 1989 manpower plan remains at the Fiscal Year 1988 level, a number 200 less than would support force structure requirements dictated by increased reliance on the Reserve.

GROUND STRUCTURE

The Marine Corps Total Force planning process has resulted in structural changes within the 4th Marine Division and 4th Force Service Support Group. The introduction of the M198 155mm towed howitzers began during Fiscal Year 1985 and will be completed during Fiscal Year 1989. Reorganization of the artillery regiment to accommodate the M198 and provide optimum support for infantry units began in Fiscal Year 1986 and will be completed during Fiscal Year 1989. Further, our infantry capability has been enhanced by the introduction of the MK19 40mm machine gun, the shoulder-launched, multi-purpose assualt weapon, and the squad automatic weapon. These will be substantially fielded by the end of Fiscal Year 1989. The ability of the 4th Marine Division to engage and destroy mortar and artillery assets of an opponent has improved appreciably with the activation of a Target Acquisition Battery on October 22, 1987.

During Fiscal Year 1987 the Medical Logistics Company of the 4th Supply Battalion, the remainder of the 4th Medical Battalion, and the 4th Dental Battalion were activated. These activations are critical additions to the 4th Force Service Support Group and have eliminated a serious deficiency in the Selected Marine Corps Reserve combat service support structure.

Activation of a light armored vehicle battalion began in Fiscal Year 1987 and will be completed in Fiscal Year 1988. The battalion, consisting of 636 Marines and 110 vehicles, will be located in four states (California, Maryland, Utah, and Virginia). The light armored vehicle battalion represents a sizable increase in the firepower and maneuverability of the Reserve. Four tube-launched, optically-tracked, wire-guided missile platoons are scheduled for activation during the period Fiscal Year 1988 to 1991. These will measurably increase the anti-armor capability of the 4th Marine Division.

AVIATION STRUCTURE

The 4th Marine Aircraft Wing will also undergo major structural changes as we move into the 1990's. The addition of one AH-1J attack helicopter squadron and the expansion to two KC-130 refueler squadrons are two major changes which will increase Reserve combat capabilities. The second AH-1J and KC-130 squadrons will be activated in Fiscal Year 1988 at Camp Pendleton, CA, and Stewart International Airport, Newburgh, NY, respectively.

The standup of a KFIR adversary squadron at Marine Corps Air

Station, Yuma, AZ, in Fiscal Year 1986 has greatly enhanced the training and readiness of the Total Force. Operating thirteen F-21A KFIR fighters, on lease from Israel, the squadron is manned by both Active component Marines and reservists, and lends an unparalleled realism to training utilizing tactics employed by potential adversaries. The aircraft have been delivered, and the squadron has been conducting training for Active and other Reserve squadrons since September 1987.

FULL-TIME SUPPORT

Full-time manning support of the Marine Corps Reserve is provided by 5,350 officers and enlisted personnel from the Active component, 352 civil service personnel, and 1,742 reservists serving on active duty in the Full-Time Support Program. Since the Marine Corps does not use the Military Technician Program, and Active component end strength is a finite number, the Marine Corps Reserve could not meet the demands expected in the future without support provided by the Full-Time Support Program.

The Full-Time Support Program is a critical component of the manpower picture for the Selected Marine Corps Reserve. This program contributes to mobilization readiness and the accomplishment of the Reserve mission by using highly qualified Marine reservists on active duty for periods of 1 to 5 years to support the Marine Corps Reserve. Their knowledge of Reserve programs assists substantially in effective administration and execution of Reserve programs.

Full-Time Support Marines, referred to as Active Guard/Reserve in some other Services, assist in the areas of preparing and administering policies and regulations affecting the Reserve component and organizing, recruiting, instructing, training, and administering the Marine Corps Reserve in accordance with 10 U.S.C. 265, 672(d) and 678 to promote improved management and a better combat capability in the Marine Corps Reserve.

Our Fiscal Year 1987 Full-Time Support end strength was on target with a final count of 1742, three short of the approved number. Our Fiscal Year 1988 approved strength is 1945, slightly less than we had requested. Our Fiscal Year 1989 program was leveled to the Fiscal Year 1988 approved strength.

SELECTED AUGMENTATION UNITS

Recently established, the Selected Augmentation Unit Program, which began in Naval Aviation squadrons, complements the established augmentation/reinforcement role of the Marine Corps Reserve. The Selected Augmentation Unit Program is designed to identify and match portions of residual Reserve units with units in the Active component that are below strength. The remaining residual units could form the nucleus for reconstituting the Reserve division, wing, and force service support group. The Selected Augmentation Unit Program reservists will conduct their annual training duty with the active unit with which they would mobilize.

During the summer of 1987 Reserve combat service support units augmented undermanned counterparts of the 1st, 2d and 3d Force Service Support Groups and Brigade Service Support Group-1 at Camp Lejeune, NC, Camp Pendleton, CA, Hawaii and Okinawa. Field reports were favorable, with 57 officers and 1474 enlisted Marines receiving valuable training, experience, and additional qualifications. The Selected Augmentation Unit Program enhances both combat readiness and Active/Reserve component integration. It is another credible source of support for the Active component which simultaneously provides realistic training for our Reserve. Selected Augmentation Units exemplify the confidence placed in the Marine Corps Reserve and our commitment to the Total Force policy.

INDIVIDUAL MOBILIZATION AUGMENTEES

In addition to Reservists training in Selected Reserve combat units, other drilling reservists are actively training with their active duty counterparts. Individual Mobilization Augmentees are placed on staffs within the supporting establishment and provide assistance to the staffs to which they are assigned. They have become key personnel within their organizations, as evidenced by their manning of the Marine Corps Command Center during the Grenada operation. Individual Mobilization Augmentees also man 52 mobilization stations across the country. Mobilization stations are critical to the process of assimilating members of the Individual Ready Reserve into wartime structure during mobilization.

INDIVIDUAL READY RESERVE

The strength of the Individual Ready Reserve has varied greatly over the past 10 years. However, in 1990, the effect of the initial military service obligation increase from 6 to 8 years will show up for the first time. It is projected the Individual Ready Reserve which stood at 44,580 at the end of Fiscal Year 1987 will grow to 52,000 by Fiscal Year 1990, and will exceed 80,000 by Fiscal Year 1992. At that time we predict it will level off.

The Individual Ready Reserve is the primary source of trained individuals for Active and Reserve component units in the event of mobilization. Management and training of personnel resources are a concern of current and future planning efforts, and we have active programs to provide appropriate training to the Individual Ready Reservists. A mobilization assignment system and a preassignment program are in place and continually refined during the conduct of regularly scheduled mobilization exercises. These programs will promote rapid assimilation of this asset. The Individual Ready Reserve provides an invaluable pretrained manpower pool at minimum cost.

In Fiscal Year 1987 we conducted the first mandatory Individual Ready Reserve call-up exercise. Individual Ready Reservists were ordered to a day of active duty at one of 52 Marine Corps Mobilization Stations throughout the United States. Of those ordered to report, 84 percent reported for duty. This exercise was not only successful, but assisted us in assessing the mobilization potential of our Individual Ready Reserve.

MODERNIZATION

Aircraft modernization plans put aircraft released from the Active Force immediately into the Marine Corps Reserve inventory. This does not, however, satisfy long-term requirements. While these aircraft remain capable, our aviation plans require continued Congressional support to field modern aircraft for our Reserve.

Aircraft such as the F-4S, A-4M, CH-46E, UH-1N, AH-1J, and KC-130F are being flown by both Active and Reserve components, providing commonality. This allows the integration of Reserve component squadrons into Active component aircraft groups in their mobilization role. The Reserve has converted to an all F-4S fighter force, and plans call for an all A-4M attack force by Fiscal Year 1989. Our goal is to start to equip the Reserve fighter squadrons with the F/A-18 beginning in 1989.

Increased requirements for rapid response and integration with the Active Force underscore the need for commonality with the Active Force units. In the aviation arena, commonality should also result in increased efficiencies in training costs, spare parts, and aircraft maintenance.

We will continue to operate the CH-53 as our heavy lift asset and plan to complete the conversion from the CH-53A to CH-53D by Fiscal Year 1991. CH-46E squadrons will continue to provide medium-lift capabilities for the Reserve until Fiscal Year 1996/1997 when they will transition to the MV-22A, Osprey.

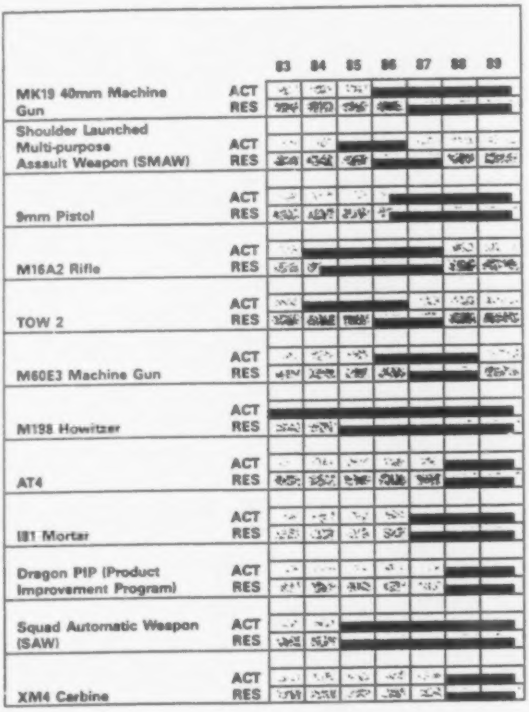
The Reserve currently has one aerial refueler squadron of KC-130's partially configured with the newest KC-130T. Ten aircraft have been delivered and are currently based at Naval Air Station, Glenview, Illinois, with the older KC-130F's. Four aircraft are scheduled for Fiscal Year 1988 delivery, with two more anticipated for arrival during Fiscal Year 1989. The standup of an additional squadron at Stewart International Airport, New York, is moving ahead in the areas of personnel, aircrew training, flight-hour funding, and facility construction. The squadron will be activated during the last quarter of Fiscal Year 1988.

EQUIPMENT

Modern combat equipment is essential to readiness. Acquisition profiles have, for several years, provided concurrent fielding of equipment to the Active and Reserve components. In the concept referred to as the single acquisition objective, the total requirement for the entire U.S. Marine Corps is determined and procured.

While historically the Marine Corps has included the Reserve in developing acquisition objectives, equipment fielding to Reserve component units has usually lagged behind the Active component due to funding constraints. Funding levels, however, during the past 5 years, have allowed concurrent procurement of most equipment items. Examples of concurrent fielding plans, depicted on the following chart, demonstrate the Marine Corps'

CHART #2



commitment to, and the beneficial effect of, the single acquisition objective concept.

The Marine Corps' goals of procuring standard combat equipment for our Reserve are being met. Today, over 96 percent of the equipment required for training is on-hand at our Reserve sites. Additional equipment required for mobilization is held at the Marine Corps Logistics Bases. Assuming current programs remain intact, the Reserve will approach their wartime equipment requirements toward the end of Fiscal Year 1990.

Marine Corps procurement funds in the amount of $39.6 million have been allocated for the Reserve component in Fiscal Year 1988. The Fiscal Year 1989 request for $43.5 million represents 3.75 percent of the Fiscal Year 1989 Procurement, Marine Corps appropriation. The requested funding level of $43.5 million will permit the purchase of new 5.56mm carbines, 9mm pistols, advanced narrowband digital voice terminal/tactical terminal, radar test sets, heavy and light cranes, field bath shower units, digital communications terminals, as well as other combat essential equipment. Distribution of funds allocated to Reserve component procurement is displayed below by commodity area. These figures are correct as of February 9, 1988, and are subject to change as realignments occur.

PMC PROCUREMENT PROFILE

(Shown in $ Million)

	FY86	FY87	FY88	FY89
Weapons and Tracked Combat Vehicles	29.6	23.0	3.3	5.3
Communication/Electronics Equipment	22.9	1.9	12.2	20.2
Support Vehicles	59.9	17.4	0.2	.5
Engineer Equipment	18.7	15.1	26.5	17.0
Spares and Repair Parts	1.4	0.6	0.4	0.5
Total	132.5	58.0	42.6	43.5

FACILITIES

Training facilities remain one of the most serious problems for the Marine Corps Reserve. The Selected Marine Corps Reserve currently occupies 193 training centers located in 46 states, Puerto Rico, and the District of Columbia. Fifty-five centers are managed or owned by the Marine Corps. The remainder are used jointly with other services.

Replacement, modernization, and expansion of Naval and Marine Corps Reserve facilities are funded through the Military Construction, Naval Reserve appropriation. Funding levels from Fiscal Year 1984 to Fiscal Year 1988 averaged $49.0 million. An average of $17.0 million of this amount was provided for projects benefiting the Marine Corps Reserve. However, the construction backlog jumped from $290 million in Fiscal Year 1982 to $997 million in Fiscal Year 1988.

Last year, $73.7 million was requested and appropriated. In Fiscal Year 1989, as a result of deficit reduction efforts, the Military Construction, Naval Reserve Appropriation request is $48.4 million. Although this will have limited impact on the burgeoning construction backlog, it does permit a minimum level program of training facility upgrading.

The addition of new weapons systems in the past few years to the Marine Corps Reserve have increased the need for improved training centers. Facilities also have a direct impact on recruiting and retention, let alone simple training and equipment maintenance. Force structure and mission changes are often difficult to implement without appropriate facilities.

TRAINING AND READINESS

Success on the modern battlefield requires the integration of manpower and equipment through an effective and imaginative training program. Exercises and other training programs, emphasizing Active/Reserve component integration, are designed to provide a highly trained Reserve manpower resource from which to draw Selected Marine Corps Reserve units or individual Marines in the event of mobilization. Programs aimed at professional development and military occupational specialty qualification are integral parts of the equation and imperative to successful warfighting.

Unit Training

Exercise participation affords reservists the same opportunities as active duty Marines to develop and maintain skills in command and control, fire support coordination, amphibious planning, and fire and maneuver. An active cycle of training is maintained which includes combined arms exercises, cold weather and mountain warfare training, and amphibious assaults. Unit participation in major exercises abroad and within the continental United States provided training to approximately 23,000 reservists during Fiscal Year 1987. The highlight for the Selected Marine Corps Reserve was Exercise Solar Flare conducted at Camp Lejeune, NC, during July 1987. Two complete Marine Expeditionary Brigades, one Reserve and one Active, participated in the largest force-on-force, freeplay exercise conducted by the Marine Corps. The most significant projected exercises for Fiscal Year 1988 are depicted in the following chart.

CHART #3

PRINCIPAL FY88 EXERCISES

EXERCISE	DATES	LOCATION	MAJOR UNIT	NUMBER PERSONNEL
Display Determination	Classified	Med	ITT's	34
Team Spirit	Classified	WestPac	3d CAG, 4th ANGLICO, IRR	150
Ocean Venture	Classified	Med	ITT's 4th ANGLICO,	59
Teamwork-88	Classified	OCONUS	1/25, 4th FSSG (-)	914
JOINT				
LogEx	13-27 Aug 88	VA	4th FSSG (-)	70
SMCR/Integrated				
Alpine Warrior	10-23 Feb 88	WI	4th FSSG (-)	232
CAX 7-88	4-18 Jun 88	CA	MWSG-47, MAG-20 MAG-42, 4th TkBn 4/14	3,174
Kernal Blitz	4-18 Feb 88	CA	2/25	729
CAX	2-16 Jul 88	CA	1/24, 2/14, HML-764	3,260
FIREX	25 Jun-9 Jul 88	WI	1/14, 3/14	1,410
2d MAW Exercise	11-25 Sep 88	Europe	MWSG-47, WTS-47 HQ Sqdn-47	228

Training and Innovation

The Marine Corps Reserve continues to seek methods for applying emerging technologies in simulators and computer-aided instructional systems to enhance our training and combat readiness. The unique demands placed on our Reserve units to maintain military skills in compressed time periods, distant from live-firing ranges, have led to the research and use of state-of-the-art devices and ranges. Given the constraints under which the geographically dispersed reservists must operate, automated learning systems provide an optimum level of cost-effective training. Congressional support has helped us make strides in acquiring these systems.

The use of devices and simulators for reserve training falls into five general categories: marksmanship/gunnery, combat environment, command and control, maintenance training, and aviator training. The systems are used by individuals and units. These systems are used by the Reserve during drills or annual training duty.

Ranges and range devices under development or already fielded include the Multipurpose Range Complex, Small Arms Remote Targets, and Remote Engagement Target Systems. Marksmanship/gunnery devices and simulators include moving target simulators, the Precision Gunnery Training System, and the light armored vehicle gunnery trainer and a full-crew tank trainer. The Marine Corps will continue to exploit innovative training opportunities providing quality training and skill qualification programs tailored to the Reserve's needs. We are pursuing portable systems and military occupational skill instructional vehicles to enhance on-site skill qualification training for reservists during weekend drills. Your support has been instrumental in our progress to date.

INDIVIDUAL TRAINING

Training of individuals in the Individual Ready Reserve is accomplished through two programs. First, the Exercise Support Program provides small detachments and individuals the opportunity to participate in major exercises under the cognizance of Fleet Marine Force, Atlantic and Fleet Marine Force, Pacific. For instance, during 1987, 130 individual reservists participated in Exercise Team Spirit by deploying to Korea as part of III Marine Expeditionary Force.

The second means of training the Individual Ready Reserve is through the Reserve Counterpart Training Program, which is designed to provide Reserve officers and enlisted Marines the opportunity to train with active duty counterparts. Technical skill enhancement and proficiency in occupational skills, external to an exercise support environment, are the benefits of this program.

The anticipated increase of the Individual Ready Reserve by the end of Fiscal Year 1992 to more than 80,000 in response to the 8-year military service obligation presents a significant challenge to ensure military occupational specialty proficiency. To overcome this problem, the Reserve Counterpart Training Program is being increasingly used as a training vehicle. The Marine Corps Reserve Support Center began conducting skill refresher training in Fiscal Year 1987.

Another facet in our training program for reservists is attendance at professional schools. These schools are similar to those offered to the Active component, but tailored to the time available to reservists. They attend Reserve courses at the Marine Corps Amphibious Warfare School, the Marine Corps Command and Staff College, the Landing Force Training Commands, the Naval War College, and the U.S. Air Force Air War College. Candidates from the grades of warrant officer to colonel are competitively selected to ensure the most qualified individuals attend. The program has expanded to over 900 officers and 50 staff noncommissioned officers in Fiscal Year 1988.

BUDGET

The Fiscal Year 1989 Marine Corps Reserve budget request of $393.2 million will support enhancement initiatives discussed above and a Selected Marine Corps Reserve end strength of 43,600 (42,493 average strength). This funding represents 4.1 percent of the overall Marine Corps budget. Listed below is a comparison of Fiscal Year 1987 actuals, Fiscal Year 1988 appropriated levels, and Fiscal Year 1989 requested amounts.

FUNDING COMPARISON - Fiscal Years 87/88/89

RESERVE APPROPRIATION	FY87	FY88	FY89
Reserve Personnel, Marine Corps (RPMC)	$277.3M	$295.4M	$315.7M
Operation & Maintenance, Marine Corps Reserve (O&MMCR)	$ 64.0M	$ 69.5M	$ 77.5M
Total	$341.3M	$364.9M	$393.2M

The Fiscal Year 1989 Marine Corps Reserve Personnel budget provides $197 million for pay and allowances, retired pay accrual, subsistence, clothing, and operational travel for units and individuals during drills, annual training, and initial active duty for training. The other $119 million is for special tour requirements, mobilization training, the Full-Time Support program, incentives program, Platoon Leaders Course, and the Junior Reserve Officers Training Corps. The Reserve Personnel, Marine Corps increase of $20.3 million in Fiscal Year 1989 over Fiscal Year 1988 is necessitated primarily by a pay raise, addition of FICA payments for drills and an average strength increase of 396 in Fiscal Year 1989 within the Selected Marine Corps Reserve and Full-Time Support programs.

The Fiscal Year 1989 Marine Corps Reserve Operation and Maintenance request of $77.5 million provides funds for the day-to-day costs of supporting our units. The training of Selected Marine Corps Reserve units is directly supported by $38.2 million. Included are the costs of "expense items" of equipment, consumables, vehicle and airlift support, transportation of Marines and materiel, and unit maintenance of equipment. Depot-level maintenance of major end items of equipment is supported with $2.0 million. The Fiscal Year 1989 request also provides $37.3 million for the operation and maintenance of training facilities and administrative support of individual reservists, recruiting activities, and headquarters support.

Funding levels described for Fiscal Year 1989 are vital to our continued development as a full contributor to the Total Force. The modest increase in funds for manpower, training, equipment, and facilities will maintain our warfighting capabilities and is considered cost effective under our current fiscal conditions.

CONCLUSION

During the past year the Marine Corps Reserve has continued to strengthen and improve its combat readiness. Thanks to your support we are attracting high quality personnel who are better trained and equipped than ever before. I feel the role of the Reserve will increase over the next 10 years as Congress and the Department of Defense continue to face the challenges of tough fiscal constraints. Modernization efforts, force structure changes, and modest manpower growth require continued support in the form of equipment, training, and facilities to maximize our warfighting capability.

Mr. Chairman, I appreciate this opportunity to address your committee. You have been most supportive of our needs in the past, and we are grateful. Your continued support of our programs is solicited to maintain and further enhance our readiness posture.

STATEMENT OF: MAJOR GENERAL JOHN B. CONAWAY
DIRECTOR, AIR NATIONAL GUARD
HEADQUARTERS, USAF

AIR NATIONAL GUARD

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, it is my pleasure to once again report to you on the status of the Air National Guard (ANG).

The Air National Guard today is larger and more capable than at any time in its history. Our strength is at an all-time high with over 114,000 men and women, while continued modernization of our aircraft and equipment makes us more capable of performing our assigned missions. The National Guard is unique among the world's reserve military forces, combining both State and Federal missions. It provides the nation with an effective, economical military force for national defense and provides the states a trained, equipped and disciplined force capable of responding to emergencies at the state level.

Our Federal mission, as part of the total Air Force, is to provide units of properly equipped and trained personnel for prompt mobilization in a time of crisis. While this is certainly our primary role in national defense, the 1980's have seen tremendous growth in the direct mission support we provide to the Air Force on a daily basis. As an equal partner in the Total Force, we perform active missions such as aerial refueling, air defense, and tactical airlift at locations throughout the world. During this past summer, three ANG C-130 units (146th TAWg, California; 153rd TAGp, Wyoming; and 145th TAGp, North Carolina), joined with two Air Force Reserve C-130s, to help combat the California forest fires. The C-130s, specially configured with the Modular Airborne Fire Fighting System, dropped over 3.9 million pounds of fire retardant into non-accessible areas. We also support federal drug interdiction efforts in conjunction with our training missions. We have repeatedly shown that we can perform our assigned missions and seek involvement in those missions where we can realistically provide a direct contribution to the defense of our country.

The State mission of the ANG is to provide organized, trained and equipped units and personnel to respond to requests from state authorities during periods of emergency. During 1987, personnel of the Air National Guard were called up 87 times to provide support to civil authorities in various emergency situations. These missions involved 884 personnel and used a total of 4,883 workdays. Seventy-four of these missions were in response to requests from the National Search and Rescue Service, for search and rescue, and medical evacuation which resulted in 36 lives saved. Involvement of several ANG Tactical Control Radar units, providing assistance to federal and state authorities in support of drug enforcement operations in the southern United States, accounted for a major portion of the training workdays used. The remaining missions consisted of support to fire fighting operations, transportation and communications support, emergency power requirements, and evacuation and security missions following other natural disasters.

FLYING UNITS

Air National Guard flying units perform a number of different and exciting missions. With nearly 1,750 aircraft, our 91 units are organized to perform the following Air Force missions:

Mission	No. of Units	Type Aircraft
Tactical Fighter	34	A-7, A-10, F-4, F-15, F-16A/B
Theater Airlift	20	C-130
Aerial Refueling	12	KC-135E
Air Defense	12	F-4, F-15, F-16A/B
Tactical Reconnaissance	5	RF-4C
Tactical Air Support	3	OA-37
Rescue and Recovery	2	HC-130/HH-3
Strategic Airlift	2	C-141, C-5
Special Operations	1	EC-130E

The structure of our flying units remains stable at 24 wings and 67 groups, but there is a significant increase in quality and effectiveness as we continue to convert to newer and more capable aircraft. The following changes to ANG flying units have been publicly announced for the fiscal year indicated:

Unit	Action	In FY
Atlantic City, NJ	-15 F-106; +18 F-16A/B	88
Ft Smith, AR	-18 F-4C; +18 F-16A/B	88
Otis ANGB, MA	-15 F-106; +18 F-15	88
Stewart, NY	+3 C-5A (to 8 PAA)	88
Dannelly Fld, AL	-18 F-4D; +18 F-16A/B	89
Kingsley Fld, OR	-18 F-4C; +18 F-16A/B	89
Stewart, NY	+3 C-5A (to 11 PAA)	89
McConnell, KS (RTU)	-36 F-4D; +36 F-16A/B	89
Moffett NAS, CA	-1 HC-130H; +1 HC-130P	89
	-1 CH-3E (to 4 PAA)	89
Hancock Fld, NY	-24 A-10; +18 F-16A/B	89
Suffolk Co, NY	-1 HC-130P (to 3 PAA)	89
Louisville, KY	-18 RF-4C; +8 C-130B	89
Willow Grove, PA	-18 OA-37; +18 OA-10	89
Nashville, TN	-4 C-130A (to 12 PAA)	89
Selfridge, MI	-6 A-7 (to 18 PAA)	89
	-18 F-4D; +18 F-16A/B	90
Ellington, TX	-18 F-4D; +18 F-16A/B	90
Fresno, CA	-18 F-4D; +18 F-16A/B	90
Fargo, ND	-18 F-4D; +18 F-16A/B	90
Portland, OR	-18 F-4C; +18 F-15B	90

While not classified as conversions, the 158th Tactical Fighter Group, Burlington, Vermont, will become the 158th Fighter Interceptor Group and assume an Air Defense Alert mission on 1 April 1988, while the 130 TAGp, Charleston, West Virginia, will receive new C-130H aircraft during FY 89.

With the support of Congress and the Air Force, we will continue a program of modernizing our state operational support aircraft (OSA). Twelve states have received the C-12 OSA. They are Connecticut, South Dakota, Missouri, Nebraska, Massachusetts, Kentucky, Kansas, Iowa, Nevada, New York, Washington, and Vermont. During FY 1989, C-130H OSA will be assigned to McEntire AGB, South Carolina; Jacksonville, Florida; Montgomery, Alabama; and Meridian, Mississippi.

Air National Guard flying units make substantial contributions to the total Air Force combat capability and will fulfill a large portion of the force commitment during any future crisis. At the end of FY 1989, the Air National Guard will possess 86 percent of the total Air Defense Interceptor forces, 50 percent of the Tactical Reconnaissance forces, 36 percent of the Theater Airlift forces, 26 percent of the Tactical Fighter forces, 17 percent of the Strategic Aerial Refueling forces, 20 percent of the Rescue and Recovery forces, 8 percent of the Electronic Combat forces, 36 percent of Tactical Airborne Command and Control forces, and 6 percent of the Strategic Airlift Forces.

MISSION SUPPORT UNITS

While the flying units play a more visible role, our Mission Support Units are equally important to the success of the ANG. We have 239 independent and geographically separate units heavily concentrated in the areas of communications, weather, and civil engineering. An additional 310 units are collocated and integrated with our flying units. These units are primarily communications, medical, civil engineering, security, weather, and aerial ports.

The following table shows the types of mission support units in the ANG.

Type of Unit/Mission	Number of Units
Medical	101
Civil Engineering	98
Security	89
State Headquarters Elements	54
Combat Communications	44
Weather	40
Tactical Control	29

Type of Unit/Mission	Number of Units
Aerial Port	22
Engineering Installation	19
Bands	12
Air Traffic Control	8
Training Units	7
Host Base Support (BOS)	5
Aircraft Control and Warning	4
Permanent Field Training Sites	4
Direct Air Support Center Squadrons	3
Joint Communications Support	2
Airlift Support Detachments	2
Reconnaissance Technical	2
Range Control	1
Field Training Flight	1
Tower Operations	1
Professional Military Education Center	1
Total	549

The Air National Guard's 101 medical units consist of 20 hospitals, 71 clinics, and 10 aeromedical evacuation units. All units are located at our flying locations and have wartime taskings to varying degrees. Our 20 hospitals and 47 of our 71 clinics are in the process of building to support 2nd echelon medical requirements. The remaining 24 clinics are tasked as generation units in support of SAC and ADTAC requirements. All of the aeromedical units are tasked with wartime missions.

Our 98 civil engineering units consist of four RED HORSE units, three MAJCOM/numbered air force staff augmentation flights, and 91 civil engineering squadrons. These units are trained and equipped to accomplish such wartime tasks as wartime theater construction management from staff levels; rapid runway repair, force beddown and base recovery; and major heavy repair. Civil engineering squadrons receive "Base Recovery After Attack Training" at Eglin

AFB, Florida. Peacetime alteration and repair projects at locations throughout the world sharpen wartime skills and provide urgently needed projects for active and reserve component units.

The Air Guard has 154 services elements at our main bases and most geographically separated units. Services personnel are trained to provide the vital wartime services of dining, billeting, laundry and mortuary affairs. They receive formal field training at least every three years and support many field exercises, both local and major command directed.

Forty-four independent combat communications type units are equipped and staffed to support the Defense Communications System, Tactical Air Forces, Special Operations Command, Central Command and the Joint Task Forces. They provide specific communications service to forward deployed commanders, and provide added and restoral service to the Defense Communications System. These units also provide terminal air traffic control facilities.

Our 40 weather units (39 flights and one squadron), provide weather support to Army Guard and Reserve units and also train with the units they are tasked to support.

We have 29 tactical control units (3 groups, 9 squadrons and 17 flights) operating mobile radar control and reporting centers in addition to providing forward air control posts. All units have a wartime tasking and a quick response deployment schedule. Seven of these units deployed to Europe in FY 1987 to support exercises in Denmark, Norway, Italy and Germany.

Our 19 engineering installation (EI) squadrons are equipped and trained to engineer, install, relocate, remove, restore and accomplish on-site depot level maintenance on radars, antennas, cable plants, radios and teletype and communications centers. Our EI units represent a significant part of the total Air Force capability for this type work and each year accomplish a significant portion of the total Air Force EI workload.

We also have 4 aircraft control and warning squadrons which provide air surveillance radar coverage and aircraft control capability for Hawaii and

Puerto Rico. The Hawaii Regional Operational Control Center (HIROCC) is operated and maintained completely by Air Guard personnel.

Our remaining mission support units consist of security flights at our flying units, state headquarters elements, field training sites where our units deploy for inspections and realistic training, airlift support detachments, and other miscellaneous units including our Professional Military Education Center at Knoxville, Tennessee.

Like their flying unit counterparts, mission support units contribute heavily to the total Air Force combat capability. At the end of FY 1989, the Air Guard will possess 67 percent of the Air Force combat communications forces, 68 percent of engineering and installations forces, 24 percent of the civil engineering forces, 54 percent of tactical weapons control, 15 percent of the weather reporting and forecasting forces, 70 percent of the aircraft control and warning forces, 13 percent of medical support units and 12 percent of aerial port units.

TRAINING, EXERCISES AND DEPLOYMENTS

In a peacetime environment, the Air National Guard's major role is training to support the Air Force and this country in a time of need. While accomplishing this training, the ANG makes significant contributions to the Total Force. We are full partners with other active and reserve components in overseas deployments, Joint Chiefs of Staff exercises, Air Force training exercises, and ANG sponsored Composite Force Training exercises. A trend of increased ANG participation in joint exercises has enriched our training and the Total Force policy.

Our overseas deployments move entire units to theater locations throughout the world for short periods of time. These deployments provide our members with realistic, valuable, theater specific training. Since airlift costs account for more than 90 percent of deployment costs, we have exercised several deployment concepts in order to maximize our training dollars. Use of multi-unit deployments, vice single unit, has reduced per unit airlift costs by 20-25 percent. Use of dual-role KC-10s (air refueling and airlift) also reduces the overall cost of the deployments.

During 1987, three of our tanker units deployed four aircraft each and approximately 200 personnel to Moron AB, Spain for 15 days in support of the European Tanker Task Force. ANG tanker units also deployed to Wake Island (5 aircraft); Rome, Italy (3 aircraft); Kadena AB, Japan (3 aircraft), and United Kingdom (2 aircraft). During these deployments, our aircrews gained valuable experience in European and Pacific theater air refueling tactics while our support personnel received seasoning in unit support operations away from home station. The ANG also supported 37 separate fighter deployments in 1987 by providing nearly 100 KC-135E tanker aircraft. In addition, the ANG provided refueling support for in-theater training requirements during these exercises.

This summer, from 7 July until 28 August, three ANG A-7 units will deploy a total of 18 aircraft and 660 personnel to Spangdahlem AB, Germany for in-theater training. This deployment, CREEK CORSAIR, will provide valuable training for our aircrews and will allow our NATO allies cross-training opportunities with A-7 aircraft.

Our ski-equipped C-130 unit at Schenectady, NY provides the only Air Force capability for transporting oversized cargo to the remote radar sites on the Greenland icecap. This Arctic resupply mission, Volant Dew, entails airlift of all fuel, construction items and oversized supplies throughout the year. This unit also supports National Science Foundation projects on the icecap and provides search and rescue support when required.

In the Southern Command region, the ANG maintains four A-7 aircraft on station at all times in defense of the Panama Canal. These aircraft are frequently supported by our reengined KC-135Es, which in addition to performing aerial refueling, move personnel and equipment. We also maintain two Aircraft Control and Warning Radar units in defense of Puerto Rico, and support airlift requirements throughout Central and South America with six C-130 aircraft, a mission we share with the Air Force Reserve. ANG civil engineering, medical and communications personnel have also deployed to this region for valuable training.

During FY 1987, ANG Tactical Airlift units provided 1,220 airframe days and 6,100 flying hours, in support of 352 Joint Airborne/Air Transportability Training (JA/ATT) missions. This is an interservice program for the wartime application of airlift where the services jointly develop common procedures for combat operations in order to attain and maintain wartime readiness.

The Air Guard also supports the Army in exercises throughout the world. One example of this support was the deployment of an Air Guard RED HORSE unit to Archidona, Equador, in June 1987. Approximately 50 civil engineering personnel performed construction and electrical work for an Army Guard base camp used during their road building exercises in that country. Joint training programs, such as at the National Training Center, Fort Irwin, California, and the Joint Readiness Training Center, Fort Chaffee, Arkansas, provide joint training experience for both the Army and Air National Guard. To sharpen ANG fighting skills and familiarize our ANG personnel with joint operations, Composite Force Training exercises are conducted throughout the year. These exercises are sponsored and planned by Air Guard flying units, Field Training Sites, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

As a further measure of the ANG's global involvement, 9 Tactical Fighter and Reconnaissance units participated in 8 overseas deployments to Italy, Germany, Norway, England, Iceland, and Turkey during FY 1987. The highlight of these deployments was CORONET GEMINI, a two-unit, 18 A-7 aircraft, 500-person deployment to RAF Wittering, which lasted three weeks. Ten Fighter units are scheduled for overseas deployments in FY 1988.

Twenty-one ANG fighter/reconnaissance/interceptor units participated in the RED FLAG and MAPLE FLAG programs during 1987. Four units deployed to Alaska for the NORAD-sponsored AMALGAM BRAVE 87, one unit for MIDNIGHT SUN, and one for YUKON FOCUS II.

Our mission support units have also made impressive training advances. In the past year, our combat communications units have deployed approximately 1,500 personnel to Europe, Central America, Southwest Asia and Korea in support of major exercises. Additionally, hundreds of ANG communications personnel have participated in dozens of exercises within the continental United States. The combat readiness of these units will be tested again in FY 1988 by their participation in 32 exercises and deployments worldwide.

Our Engineering Installation (EI) units also deployed to Europe and Korea during FY 1987, while our civil engineering and services units participated in JCS European, Pacific, Alaskan and Southern Command exercises. In addition, ANG aerial port units deployed 112 teams, consisting of 2,200 personnel, to Military Airlift Command (MAC) overseas and CONUS ports. This program provided invaluable training for a critical element of MAC's wartime cargo handling capability.

Our 16,000 plus civil engineering and services personnel receive excellent training by deploying throughout the world. Personnel deploy to possible wartime theaters of operation to become familiar with local conditions, materials, construction techniques and equipment. Approximately one-third of our civil engineering and services personnel deploy annually. In 1987, Air National Guard civil engineering personnel supported exercises and U.S. interests in Central and South America, the Pacific and Europe. Again in 1988, civil engineering and services personnel will deploy to Europe, the Pacific, Central and South America, and numerous locations within CONUS in support of exercises and deployment requirements. We are currently rotating 50-person teams of ANG civil engineering personnel every two weeks to Palmerola AB, Honduras, to perform contingency construction projects in support of Task Force Bravo. During November-December 1987, 18 civil engineering personnel from the 151 Civil Engineering Squadron, Utah, deployed to LaPaz, Bolivia. This humanitarian effort consisted of performing electrical work and installation of needed medical equipment at the indigent Lapaz General Hospital.

COMPETITION

Competition among similar type units provides an opportunity to compare our skills with those of the other components and to assess our ability to meet the task of a wartime mission. Some of the competitive events we participated in during 1987 are highlighted in the following paragraphs.

"Airlift Rodeo" is a world-wide tactical airdrop competition involving active, Reserve, Guard and allied aircrews, maintenance and support personnel. It is the top competitive event for airlift units and receives world wide publicity. In 1987, this event was held at Pope AFB with 34 units participating, including 5 ANG units. The 176th Composite Group, Anchorage, Alaska, was recognized for the Best Short Field Landing Award.

Five ANG units participated in "Gunsmoke 87" competition at Nellis AFB, NV in October 1987. This Tactical Air Command hosted, world-wide, fighter gunnery meet is held to demonstrate the capabilities of fighter/attack weapon systems of the Tactical Air Forces (TAF). The 121st Tactical Fighter Wing (TFWg), Rickenbacker, Ohio, was fourth place overall, Top A-7 team, and Top Gun for low angle high drag. The 140th TFWg, Buckley, Colorado, finished sixth place overall, Top A-7 Maintenance Team, Top A-7 Load Team, and A-7 Top Gun. The 169th TFGp, McEntire AGB, SC, finished eighth overall and won the arrival competition. The 103rd TFGp (A-10 aircraft), Bradley, CT, was eleventh overall while the 187th TFGp (F-4 aircraft), Montgomery, AL, was eighteenth overall and was the Top F-4 Maintenance Team.

"Combat Challenge" is a series of competitive events which measures team skills in mobility, physical fitness, and set-up and operation of Communications- Electronics (C-E) equipment. Three ANG groups and four active Air Force groups fielded teams for the 1987 competition with the team from the 252nd Combat Communications Group, Washington ANG, placing second among the combat communications groups.

READINESS

I am proud to report that Air National Guard units continue to demonstrate their capability to perform their wartime missions. This is evidenced by ratings received from active Air Force teams during Operational

Readiness Inspections (ORIs) conducted at our ANG units. These inspections are conducted using realistic wartime scenarios, and although not the ultimate test, they do provide the best available method of testing a unit's capability.

While we can boast of our inspection records, we still have some readiness shortfalls. Our most limiting readiness factor is the need for modern equipment. If we must go to war in partnership with our active component, we need to be equipped in the same fashion as the active force.

Over the past several years the Congress has taken a pronounced interest in supporting the Guard and Reserve forces by providing above-budget procurement funding. The millions of dollars approved specifically for the Air Guard have provided new C-130s, new Operational Support Aircraft, and, in FY 1988, new MH-60 helicopters for our rescue and recovery units. In addition, miscellaneous equipment monies have enabled the Air Guard to procure more modern communications equipment, needed medical equipment, safety equipment, and needed training devices such as Air Combat Maneuvering Instrumentation.

We still have some equipment shortfalls. Not all of our communications equipment is current vintage and needs modernization. We possess the only remaining C-130A's in the inventory which causes severe supportability problems. As we move into the F-15, F-16, C-141 and C-5 missions, we are experiencing some serious support equipment shortfalls which won't be satisfied for some time. While we are modernizing our fighter force with newer airframes, these are generally early model aircraft that require avionics systems upgrades to be competitive against the current threat. Our tactical fighter inventory has a serious shortage of Electronic Countermeasures (ECM) Pods. Our tactical and strategic airlift forces have no electronic capability for threat detection and no self-protection systems. In an effort to remedy these problems, we are actively participating on task forces along with other Major Commands.

Another important element in readiness is manpower. Manpower levels of the ANG have grown substantially over the last decade and is indicative of the missions being transferred from the active component to the Guard and Reserve components. Our FY 1989 military end strength request of 115,200 reflects a reduction of 2,500 from our original request and 700 below our authorized FY 1988 end strength. Much of this reduction is attributable to modernization of equipment while the remainder is the result of force structure changes.

Full-time manpower is vital to the success of the ANG mission and consists of a mix of Title 32 military technicians, Active Guard/Reserve (AGR) personnel and Title 5 civilians. The military technicians and AGR personnel are a highly trained cadre who accomplish the day-to-day workload and play an important role in the training of our traditional Guard personnel. The vast majority of our military technicians are in maintenance and support functions. Security, field training sites, ranges, detached alerts, aircraft operations, recruiting, retention and similar type functions that are military in nature are performed by AGR personnel. Title 5 civilians are employed here at the Headquarters and at those bases where the ANG has been designated as the host.

In FY 1987, we exceeded our technician strength program by a small amount, but remained within our AGR end strength ceiling. The flexibility of not having to hold technicians to an end strength ceiling allowed the ANG to support frequently changing manning requirements more efficiently without the burden of end-of-year employment interruptions. Our amended FY 1989 budget reflects an increase of 316 technicians and a reduction of 24 AGRs from our original request. Any reduction from our request will limit our ability to support specific mission, equipment and force structure changes planned for the ANG and will eventually effect our unit readiness objectives.

Although the ANG has consistently exceeded programmed strength levels, we still have some critical skill vacancies. At the end of FY 1987, a significant percent of these vacancies were in hard-to-fill skill areas such as maintenance for avionics systems, medical, munitions systems, aircraft armament/release and ground communications systems.

The single most successful inducement in attracting members to fill our vacancies and to retain our current members is the Montgomery G.I. Bill (MGIB). The high regard in which we hold this legislation is based on data accumulated over the last three years. The Air Guard has seen its percentage of six year commitments- a prerequisite for MGIB participation- increase from 15 percent in FY83 to 49 percent in FY87. This kind of force stability concurrently reduces training costs and improves combat readiness. As of December 1987, over 11,000 members (approximately 25 percent of the eligible population) were participating in the MGIB. ANG recruiters throughout the country tell us that the MGIB is their most effective recruiting tool. Although our FY 1989 budget fully funds MGIB requirements, we were required to fund $12.9 million of this requirement at the expense of essential school and special training programs.

The Air Guard is highly dependent on prior service personnel as a source of recruits. Since 1980, approximately 60 percent of our enlisted accessions are prior service personnel. In recruiting a high percentage of prior service personnel, we are able to utilize the skills of a trained and experienced person and avoid the high cost of basic military training and initial skills technical training.

Another element in readiness is training, which is probably our strongest element. Increased involvement in joint exercises and deployments with an increase in realism throughout our training program has made us more prepared for our wartime missions than ever before. Our personnel are very capable of using their currently assigned equipment. The only potential problem involves equipment modernization, and the need for training on new equipment. Our budget request adequately addresses this need, but any reduction could cause a degradation in readiness.

FY 1989 AMENDED BUDGET SUBMISSION

The Operation and Maintenance, ANG, appropriation supports the day-to-day operations of all ANG units. Major items funded by this appropriation are payroll costs for military technicians and civilian personnel, flying hours, depot maintenance of aircraft and equipment, real property maintenance, and the day-to-day supplies and services necessary during the normal course of operations.

The National Guard Personnel, Air Force, appropriation funds the personnel costs of all ANG members, the school and special training programs, subsistence and clothing costs, disability and hospitalization benefits, incentive payments, educational benefits, and retired pay accrual costs.

The Military Construction, ANG, appropriation funds for minor and major construction projects at ANG facilities as well as planning and design funds for future Air Guard construction projects.

The following chart compares the revised FY 1988 funded position, the original FY 1989 budget request, and the Amended FY 1989 budget request for the three major ANG appropriations.

(Dollars in millions)

Item	Revised FY 1988	Original FY 1989	Amended FY 1989	FY 1989 Difference
Operation & Maintenance, ANG	$1,958.1	2,030.9	1,965.4	-65.5
National Guard Personnel, AF	988.2	980.0	1,027.4	+47.4
Military Construction, ANG	151.3	137.0	147.5	+10.5
Total	$3,097.6	3,147.9	3,140.3	- 7.6

The next chart compares the differences in manpower strengths between our original and amended budget submittals.

(End Strengths)

Item	Funded FY 1988	Original FY 1989	Amended FY 1989	Orig/Amend Difference
ANG Military End Strength	115,900	117,700	115,200	-2,500
Part-time Drill (Memo)	(108,064)	(109,728)	(107,252)	(-2,476)
Full-time AGR (Memo)	(7,836)	(7,972)	(7,948)	(-24)
ANG Civilian Strength	25,371	25,052	25,368	+316
Technician dual-status (Memo)	(23,115)	(22,797)	(23,113)	(+316)
Technician non dual-status (Memo)	(500)	(500)	(500)	0
Title 5 (Incl Reimbursable- Memo)	(1,756)	(1,755)	(1,755)	0

CONCLUSION

The Air National Guard has proven to be an integral part of the Total Force. We exist to support national security objectives, while providing a State militia uniquely qualified for local disaster and public safety needs. Our responsibilities are global, national and local, and each offers its own set of challenges for the future.

The Air Guard is ready to meet these challenges. The capability of our citizen airmen to respond to the most demanding wartime missions is a matter of record. We appreciate the continuing, strong support of the Congress. Your support has permitted the Air National Guard to continue modernization and to make significant progress toward our goal of strength through readiness.

Mr. Chairman, this concludes my prepared statement and I will be happy to respond to any questions you may have.

STATEMENT OF: **MAJOR GENERAL ROGER P. SCHEER**
Chief of Air Force Reserve
Headquarters, USAF

MR CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

INTRODUCTION

Thank you for the opportunity to appear before this Subcommittee on Manpower and Personnel and share with you the status of our force, the challenges that lay ahead, and the progress we have made during the past year. Air Force Reserve units remain combat ready and well-trained, and are capable of being mobilized in 24 hours and deployed within 72 hours. The strength of our effectiveness as a partner in the Total Force continues to be productive interface with the Active Force, quality personnel, substantive missions, and modern equipment.

The recent signing, and anticipated Senate ratification, of the Intermediate Nuclear Forces Treaty signals the beginning of an age that may mitigate the nuclear threat while increasing the need to counter a conventional threat. This presents an increased challenge to ensure the combat readiness of our Nation's conventional forces, forces we are striving to man, equip, and train in an environment of severe budget reductions.

The end-strength of the Air Force Reserve nearly doubled between Fiscal Years 1973 and 1985, dramatically increasing our combat capability; however, over the past two years that rate of growth has substantially slowed. In fact, recent FY 1989 cuts are taking the form of a net reduction in total Department of Defense (DoD) end-strength. As we draw down forces during this period of reduced defense spending, we remain committed to a reasoned Total Force structure, one employing the most efficient force mix, which maximizes the Total Force combat capability.

To meet this challenge, the strongest defense for the dollar, we must continue to attract and retain people who demonstrate pride in their performance and are motivated to provide the strongest, most combat ready Air Force Reserve possible.

PROGRAM CHANGES

Manpower and Force Structure

As you know, fiscal constraints have forced us to examine closely our present force structure. The FY 1989 amended budget has reduced our force structure, aircraft and personnel, from the original FY 1988-1989 submission. For example, our current request eliminates 25 percent of the combat capability of each F-16A/B and C-130B unit (Tinker AFB, Oklahoma, and Peterson AFB, Colorado, respectively). Due to the nature of the reservist (tied to a particular geographical location by civilian occupation), experienced crews and support personnel will be a permanent loss when a Reserve unit is reduced in size.

We deeply appreciate your continued support in authorizing our requested end-strength to sustain training for the Air Force Reserve wartime mission, especially during this era of reduced defense spending. We attained an end-strength of 80,415 in FY 1987, which is the tenth year in a row that we have met or exceeded the programmed end-strength. Even in the face of recent reductions, Air Force Reserve unit end-strength will have increased 70 percent from FY 1976 to FY 1994. This expansion results from the addition of new missions and the transfer of missions and aircraft from the active force. Simultaneously, however, the ratio of full-time support (civilians and Air Reserve Technicians) to Reserve unit end-strength actually declined from 25 to 20 percent. We request your continued support for growth in the Reserve support infrastructure.

The Goldwater-Nichols DoD Reorganization Act growth restrictions on Reserve management headquarters, in conjunction with prior limitations to concurrent growth, creates an obstruction to effective management of our units' wartime training. Coinciding with growth in unit end-strength, no-growth restrictions imposed on the Reserve's support elements place an extreme burden on the Reserve's ability to support effectively mission requirements. We are striving to assure that support areas are operated in the most cost-effective manner possible. Under the Office of Management and Budget (OMB) Circular A-76, our support units compete with private sector base operating contractors to ensure that resources (personnel and dollars) achieve "the most efficient organization" (MEO). This MEO is designed to sustain mission operation while operating at a reduced cost to the Government.

Nine of the eleven Air Force Reserve managed bases are undergoing A-76 studies. Future (across the board) Base Operating Support (BOS) dollar and/or personnel reductions at our bases, driving these adjusted support areas below their MEO, may reduce support to the point of seriously threatening the combat capability of the supported units.

PERSONNEL

Legislation

In the area of legislation, action of the 100th Congress has had a momentous effect on retention and the quality of life of our force. The Montgomery GI Bill is but one of those important pieces of legislation.

However, the progress of one legislative proposal concerns us. Specifically, the Reserve Officers Personnel Management Act (ROPMA), HR 3856, was forwarded to the House of Representatives during the first session of the 100th Congress and remains before the second session. With the passage of the Defense Officers Personnel Management Act (DOPMA) in 1981, Congress directed similar legislation for the Reserve components. Provisions of ROPMA for promotion, continuation, and selective retention will provide us with the means to manage effectively our rapidly changing officer force requirements. Therefore, we ask that you expeditiously examine and adopt the major provisions of this bill.

Recruiting and Retention

The Reserve recruiting structure and techniques achieve exceptional recruiting and retention results. The Air Force Reserve Recruiting Service is unique as it maintains and operates its own force of 320 enlisted members and 11 officers. With a limited advertising budget, this recruiting effort, through 42 offices collocated with Reserve units across the country, targets a primarily "hometown" market. Our skill- and grade-oriented recruiting efforts are based on the local Reserve unit commander's need, and are conducted by recruiters who are members of the community. Also, these recruiters clearly understand the Air Force Reserve system and objectives.

Not only is our retention high--reenlistment rates of 81 percent for first term and 88 percent for career personnel -- but we continue to attract high caliber people; 99 percent of our non-prior service enlistees are high school, or equivalent, graduates. Along with these quality accessions, 76 percent of our recruits are trained, prior service members. This recruiting and retention success combined with our high participation rate (98 percent in FY 1987), allow us to maintain a motivated, top quality force.

Medical Readiness

The Air Force Reserve has made consistent strides in medical readiness and our manning continues to improve. However, we are pursuing other alternatives to the recruiting and retention of critical skills needed to reduce the wartime shortfall. At the present time we are developing a new program for recruitment of personnel with critical skills into the Individual Ready Reserve (IRR). This program is designed to extend the opportunity to belong to the Reserve, but eliminates training requirements that duplicate civilian skills.

Also, we have designated a number of ad hoc committees to examine medical readiness training, accelerated accession time for physicians, aeromedical evacuation training, and retention of individuals with critical skills. As directed by Congress in the 1987 Defense Authorization Bill, we are expanding the Combat Casualty Care Course (C-4) to encompass training of all Reserve physicians. We have acquired additional Reserve quotas in the active duty resident course, and more Reserve physicians are receiving training in advanced Trauma Life Support from the C-4 Mobile Medical Training team.

All these efforts are aimed at offering well qualified professionals purposeful training and the opportunity to make a meaningful contribution to Air Force medical readiness. With Congressional recognition and protection of quality medical care for our fighting forces, I am confident that we will show continuing progress toward our goal of 100 percent medical capability.

Recall Exercises

The Individual Ready Reserve is a manpower pool of individuals who have had some previous training (either on active duty or in the Selected Reserve) and have some remaining military service obligation. These members, not assigned to units, may voluntarily participate in training, but have no participation obligation.

In order to assess this manpower resource, the Secretary of Defense mandated that the services order all IRR members to one day of active duty each year during the period of FY 1987-1992. During 1987, we conducted interviews and administered qualifying level tests (certain specialty skills) to a portion of the 81 percent who reported. Based on those results, we have determined, as expected from our prior analysis, that a majority of the members of the Air Force IRR could be utilized in a mobilization without additional formal training.

We exercise mobilization procedures annually, and last year we recalled a sample (9 units, 1412 reservists) of those units that may be mobilized in a Presidential 200,000 contingency call-up. Again, as expected, this exercise demonstrated that the Air Force Reserve remains ready to mobilize at a moment's notice.

ADDITIONAL PROGRAMS

Equipment Modernization

Systems modernization coupled with the experience of our personnel equate to desired levels of excellence in Air Force Reserve combat readiness. Therefore, one of our primary goals is to sustain this combat readiness capability by providing our flying units with some of the newest, state-of-the-art aircraft in America's arsenal.

We are continuing to upgrade our tactical fighter force during FY 1988 with our second F-16 unit reaching its full complement of 24 production line F-16C/Ds. We appreciate your support in obtaining production line models of the F-16 for Luke AFB, Arizona. However, budget constraints and delay in deactivating the 474th Tactical Fighter Wing (TFW) at Nellis AFB, Nevada, are slowing the previously announced modernization of the Air Force Reserve fighter force at other Reserve locations. Three F-4 units previously announced for modernization to F-16A/B in FY 1988 and FY 1989 will now convert in FY 1989 and early FY 1990.

The conversion of the remaining Reserve F-4 units to the more cost effective F-16 in the early 1990s must survive the current trend of reductions in defense spending. Any further cutbacks in planned F-16 and F-15 procurement levels will force our aging F-4D/Es to longer service, also seriously affecting our war fighting capability.

The foresight of Congressional members in ensuring these conversions has paid handsome dividends. In terms of combat capability, our success with the new fighters has been extraordinary. *GUNSMOKE* is a highly intense world-wide fighter gunnery competition of the very best in the active force, Guard, and Reserve. For the second consecutive biennial, our F-16 fighter unit at Hill AFB, Utah, produced first place trophies. This year Major Danny Hamilton took the honors as the best Air Force fighter pilot in the world! Along with the first, second, and fifth places in the individual "Top Gun" competition, the Hill unit finished second among 18 fighter wings in the race for overall honors! Due to a Congressional add of C-130H aircraft in the FY 1988 budget, the Air Force Reserve will retire its last C-130A tactical airlifter in FY 1989 -- and not a moment too soon. Therefore, the only C-130As remaining in the Air Force Reserve after FY 1989 are the dated gunships at Duke Field, Florida. The Special Operations Group at Duke Field is manned with 1,000 personnel including 22 well trained and experienced, combat ready crews. These highly motivated people received the only "outstanding" awarded last year by the Military Airlift Command (MAC) Inspector General to a special operations force unit (active or Reserve). The Air Force procurement of the new AC-130U will release active duty upgraded H-model gunships to replace our A-models. Therefore, as the Air Force has alleviated our potential loss of special operations, gunship capability, I urge your support for the AC-130Us in the current budget.

The addition of eight new C-130H aircraft for our Milwaukee unit greatly enhances the combat capability of our airlift fleet while lowering overall operations cost. We appreciate Congress' foresight in funding these aircraft and anticipate many years of reliable service from them. In fact, we have validated your confidence in the ability of our airlift units by winning with production line C-130Hs at the annual *AIRLIFT RODEO*, a world-wide airlift competition. Our Dobbins AFB, Georgia, unit finished first overall in 1985, and in 1987 the Maxwell AFB, Alabama, unit had the highest score for a C-130 in the best airlift wing category. These accomplishments with the new C-130Hs illustrate again that our combat readiness is limited only by the equipment we are operating.

While the Air Force Reserve has been a long time partner in the Military Airlift Command's strategic airlift associate program (Reservists flying and supporting active duty aircraft daily), we now have achieved an increased strategic airlift profile at our unit equipped C-141 and C-5 wings. The 459th Military Airlift Wing (MAW) at Andrews AFB, Maryland, completed its conversion to 8 C-141B aircraft last year; the 433rd MAW at Kelly AFB, Texas, will complete its conversion to 15 C-5s in FY 1989; and the 439th MAW at Westover AFB, Massachusetts, which received the first of 14 C-5As last Fall, will receive the remaining C-5s in FY 1989.

These strategic airlift unit conversions allow us to operate and maintain these valuable airlift aircraft economically at a low peacetime tempo while maintaining a high wartime surge capability. Our MAC Associate program continues to be another cost effective means to conduct peacetime airlift while training to meet heavy wartime surge requirements. Our mission ready status was clearly indicated in last year's *AIRLIFT RODEO*, as the Reserve Associate wing at Norton AFB, California, was named the best United States airlift wing.

Timely procurement of the C-17 aircraft is the key to the Air Force's conventional force projection capability. For the first time in the history of MAC, production line aircraft are scheduled for unit-equipped Guard and Reserve organizations. The C-17 is planned also for existing C-141 Associate units, in turn releasing those C-141s to modernize Guard and Reserve C-130 units. We support the timely procurement of the C-17.

Due to the limited time available for aircrew proficiency training, the Reserve Components must make every minute count toward improving operational capability. To accomplish this, there is a critical need for the development and acquisition of state-of-the-art training systems, technologies, and procedures. These include self-paced programmed instruction, part-task trainers, multi-media learning programs, and computer simulation. Last year Congress responded to a portion of this need with an additional appropriation for a C-5 weapon systems trainer at Westover AFB.

Shortfalls

Although our flying units are well trained and demonstrate excellent combat capability, we need to improve our ability to penetrate enemy defenses. Using appropriated dollars to buy electronic countermeasures pods solves only a small part of the problem. Active and passive countermeasures are crucial to infiltrate the full spectrum of enemy defenses. Currently, we are working a program, made possible by a Congressional add to the FY 1988 budget, to provide limited capability for our fighters and airlift aircraft. We look forward to your continued support as we develop and program systems in these times of reduced defense spending.

In the area of combat rescue, the Air Force Reserve currently is operating 12 H-3 and 5 HH-1 helicopters. These aircraft are getting old and rapidly are becoming unsupportable. Modernization of this system will maintain the effectiveness of these experienced crews and support personnel.

Our rescue aircrews, pararescuemen, and support personnel received some of the most impressive awards in the 1987 annual International Search and Rescue Competition *(SAREX)*. A Reserve team (the Aerospace Rescue and Recovery Squadrons at Homestead AFB, Florida, and Portland IAP, Oregon) claimed the best overall *SAREX* Award.

OPERATIONAL ACHIEVEMENTS

In FY 1987, Air Force Reserve flying units logged more than 220,000 flying hours, flying unit equipped and associate, fighter, tanker, tactical airlift and strategic airlift aircraft.

Our flying is not limited to local training missions. In quantitative terms the by-product of world-wide airlift training is a supplement to the Air Force peacetime mission. The Air Force Reserve contribution to MAC channel missions represented more than 38,000 passengers, 59,000 tons of cargo, and 263 million ton miles. Our unit equipped airlift mission added more than 53,000 hours, 90,000 passengers, and 19,000 tons of cargo. Reserve associate C-9 medical evacuation crews logged 3,500 hours while transporting more than 9,000 patients.

The Air Force Reserve made major contributions to exercise activities around the world in FY 1987. More than 32,000 Reservists participated in Joint Chiefs of Staff and Major Command (MAJCOM) exercises (command post and field training). Some of the major events were: *VOLANT OAK* and *PEGASUS'87* in Central America; *BRIM FROST* in Alaska; *TEAM SPIRIT*, a Pacific theater exercise; and *REFORGER*, an all-service deployment to the European theater.

In terms of tactical airlift support for these exercises, we deployed more than 37,000 troops, airdropping 14,000; and 4,000 tons of cargo, airdropping 500 tons of cargo and equipment. Our *VOLANT OAK* crews rotate to Panama and share a commitment with the Air National Guard for direct support to the U.S. Southern Command (SOUTHCOM) unified commander. Last year we flew 392 missions and 847 sorties carrying 8,500 passengers and 2,500 tons of cargo in support of SOUTHCOM requirements. In addition to these exercises, an additional 250 deployments transported 7,000 personnel -- all this, quite an accomplishment for the citizen airman.

In addition to routine training, members of two Air Force Reserve flying units recorded extraordinary firsts last year:

> An aircrew from McGuire AFB, New Jersey, airdropped the heaviest single load ever from a C-141, a 38,490 pound U.S. Army Sheridan tank.
>
> Two F-4 crews from Wright-Patterson AFB, Ohio, participating in the *CHECKERED FLAG* exercise, scrambled from Iceland and intercepted two Soviet bombers over the North Atlantic. This was the first "close look" for an Air Force Reserve crew.

In conjunction with proficiency training, our flying units are often requested to provide a variety of humanitarian services:

> Air Force Reserve rescue units were credited with saving 20 lives in FY 1987.
>
> A C-141 from McChord AFB, Washington, air-evacuated eight victims of the disastrous San Juan, Puerto Rico, New Year's Eve hotel fire to New Haven, Connecticut. Two Reserve units (C-141 Associate unit from Charleston AFB, South Carolina, and C-130 crews from Niagara Falls, New York) joined Military Airlift Command aircrews in providing disaster relief for earthquake ravaged Ecuador in February.

There are several missions unique to the Air Reserve Components, where our units accomplish remarkable feats with a combination of experience and ingenuity. The Air Force Reserve provides 100 percent of the Air Force aerial spray capability. In one recent example of this mission, our Rickenbacker ANGB, Ohio, unit flew aerial spray missions to suppress a potential disease epidemic in Puerto Rico. The Air Reserve Components also provide 100 percent of the Air Force augmentation to the Forestry Service airborne fire fighting. A California C-130 unit (Air Force Reserve) from March AFB loaded a mobile aerial fire fighting system in their aircraft and teamed with the Air National Guard to help contain raging forest fires in Southern and Central California.

APPROPRIATIONS

The Air Force Operation and Maintenance (O&M) appropriation provides for the day-to-day operating expenses of Reserve bases and units. It includes civilian personnel pay, aviation and ground fuels, depot maintenance, real property maintenance, and supplies.

This appropriation increases in FY 1989 by $27.6 million, of which $29.3 million is price growth with a negative program growth of $1.7 million.

The O&M increases in FY 1989 occur primarily in F-16 tactical fighters ($15.2 million), and C-5 strategic airlift ($14.2 million). Major program reductions include C-130 tactical airlift (-$4.3 million) and Air Reserve Personnel Center manpower reduction (-$2.1 million). The depot maintenance program drops ($8.0 million) while base operating support funding increases $1.1 million, primarily due to the modernization of our aircraft inventory.

CONCLUSION

In summary, the combat readiness and war fighting capability of the Air Force Reserve continue to be vital elements within the Total Force. Modernization and training will continue as our primary concerns as we strive to maximize our ability to defend America during this time of reduced defense spending.

We are proud of our achievements for 1987, and even more proud of our families and employers who supported these accomplishments. Successful service to the Air Force and our country takes the combined effort of the member, family, and civilian employer. Without this teamwork, the inconveniences of absences from home and office, attendance at frequent training activities, and all hour availability would be difficult to endure. The splendid assistance Congress has given our Reservists, their families, and employers is gratifying; and I am confident this consideration will continue in the second session of the 100th Congress.

This concludes my statement, Mr Chairman. I am prepared to respond to your questions.

STATEMENT BY
REAR ADMIRAL PAUL A. WELLING
CHIEF, OFFICE OF READINESS AND RESERVE
U. S. COAST GUARD

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE:

I AM REAR ADMIRAL PAUL WELLING, CHIEF OF THE OFFICE OF READINESS AND RESERVE, UNITED STATES COAST GUARD. I AM PLEASED TO HAVE THIS OPPORTUNITY, MY FIRST SINCE ASSUMING THESE DUTIES, TO PRESENT TO YOU A BRIEF OVERVIEW OF THE COAST GUARD RESERVE.

MULTI-MISSION FORCE

THE COAST GUARD IS UNIQUE IN OUR NATIONAL DEFENSE SYSTEM IN THAT AS ONE OF THE ARMED FORCES IT HAS IMPORTANT AND EXTENSIVE PEACETIME DUTIES IN ADDITION TO DEFENSE READINESS.

IN PEACETIME, THE COAST GUARD'S EFFORTS TO ENSURE THE SAFETY OF MARITIME TRANSPORTATION ARE CRITICAL TO THE MAINTENANCE OF A STRONG NATIONAL ECONOMY; OUR AIDS-TO-NAVIGATION ARE USED FOR THE SAFE OPERATION OF SHIPS AND AIRCRAFT AROUND THE WORLD; COAST GUARD'S PORT SAFETY AND SECURITY PROGRAMS REDUCE THE POTENTIAL OF LOSS OF LIFE AND THE DESTRUCTION OF PORT FACILITIES; AND COAST GUARD PATROLS IN PORTS AND HARBORS REDUCE THE POTENTIAL FOR DISRUPTION OR DESTRUCTION FROM ACCIDENT OR TERRORIST ACTIVITY. SIMILARLY, THE ROUTINE OPERATIONS OF CUTTERS, SMALL BOATS AND AIRCRAFT IN THE APPROACHES TO OUR SHORELINE PROVIDE AN UMBRELLA OF SURVEILLANCE. THE INVOLVEMENT OF COAST GUARD CUTTERS AND AIRCRAFT IN MARITIME LAW ENFORCEMENT, PARTICULARLY IN THE WAR ON DRUG TRAFFIC, HAS IMMENSE NATIONAL SECURITY IMPLICATIONS.

THE COAST GUARD IS ALSO PROUD OF ITS PARTICIPATION IN INTERNATIONAL TRAINING AND TECHNICAL ASSISTANCE PROGRAMS - NATION BUILDING, IF YOU WILL. IN ADDITION TO SECURITY ASSISTANCE PROGRAM CHANNELS, THE

COAST GUARD ALSO PROVIDES TRAINING UNDER VARIOUS STATE DEPARTMENT AND UNITED NATIONS PROGRAMS. IN FY 1987, COAST GUARD MOBILE TRAINING TEAMS, (MTTS) WERE ACTIVE IN FOURTEEN COUNTRIES IN AFRICA, LATIN AMERICA, AND SOUTHEAST ASIA, PROVIDING ASSISTANCE AND TRAINING IN SUCH AREAS AS MARITIME LAW ENFORCEMENT, FISHERIES PROTECTION, AND SEARCH AND RESCUE. MTT ASSISTANCE IS PROGRAMMED FOR THIRTY COUNTRIES IN FY 1988. THE COAST GUARD ALSO PROVIDES ENGINEERING, ELECTRONICS, AND LOGISTICAL SUPPORT TO SIX EASTERN CARIBBEAN COAST GUARDS.

THE TRANSITION FROM A PEACETIME TO A WARTIME FOOTING ENTAILS THE ACCEPTANCE OF ADDITIONAL COAST GUARD RESPONSIBILITIES AND INVOLVES A MAJOR EXPANSION OF COAST GUARD FORCES. UPON MOBILIZATION NEARLY NINETY PERCENT OF THE COAST GUARD'S OPERATING FORCES WILL BE ASSIGNED TO THE MARITIME DEFENSE ZONES (MDZs). THESE ARE NAVY COMMANDS WHICH REPORT DIRECTLY TO THE ATLANTIC AND PACIFIC FLEET COMMANDERS. COMMANDED BY THE COAST GUARD ATLANTIC AND PACIFIC AREA COMMANDERS, THE MDZs PROVIDE ORGANIZATIONAL ENTITIES DEVOTED TO PLANNING, COORDINATING AND CONDUCTING THE COASTAL AND HARBOR DEFENSE OF THE UNITED STATES.

THE MDZ AREA OF RESPONSIBILITY FOR ATTENDANT NAVY AND COAST GUARD MISSIONS EXTENDS FROM THE NAVIGABLE INTERNAL WATERWAYS TO 200 MILES OFFSHORE. THE MISSIONS INCLUDE PORT SECURITY, HARBOR DEFENSE, ANTISUBMARINE WARFARE, INSHORE UNDERSEA WARFARE, MINE-COUNTER-MEASURE, SEARCH AND RESCUE, SURVEILLANCE AND INTERDICTION AND DISASTER RESPONSE. IT IS IN THIS EXPANSION OF COAST GUARD FORCES UPON TRANSITION FROM A PEACETIME TO A WARTIME SETTING THAT THE COAST GUARD RESERVE PLAYS A VITAL ROLE.

THE COAST GUARD'S SELECTED RESERVE IS ORGANIZED AND TRAINED TO PROVIDE THE MANPOWER AND EXPERTISE IN PORT SECURITY. THE SELECTED RESERVE ALSO PROVIDES THE AUGMENTATION PERSONNEL TO BRING CUTTERS TO

FULL WARTIME COMPLEMENT, FILL-OUT COMMAND AND CONTROL STAFFS, PROVIDE LOGISTIC AND MAINTENANCE SUPPORT FOR OPERATIONAL UNITS, AND PROVIDE PERSONNEL NEEDED TO BEGIN THE EXPANSION OF THE TRAINING AND LOGISTIC SUPPORT BASE NECESSARY TO SUSTAIN WARTIME OPERATIONS.

AS MANDATED BY THE FY 1988 DEPARTMENT OF DEFENSE AUTHORIZATION ACT, THE COAST GUARD IS COMPLETING A PLAN TO ENABLE IT TO MEET 95 PERCENT OF ITS WARTIME MOBILIZATION REQUIREMENTS BY 1998. THIS PLAN WILL ADDRESS IN DETAIL COAST GUARD'S REQUIREMENTS. THE STRENGTH FIGURES PRESENTED TO YOU TODAY HAVE BEEN REPORTED IN TESTIMONY OF PREVIOUS YEARS. HOWEVER, OUR ESTIMATES OF RESOURCE NEEDS MAY CHANGE AS A RESULT OF OUR NEW PLAN.

MOBILIZATION REQUIREMENTS

TO MEET ITS MOBILIZATION RESPONSIBILITIESOUR PREVIOUS ESTIMATES INDICATED A TOTAL EARLY RESPONSE REQUIREMENT FOR 65,500 COAST GUARD PERSONNEL. BASED ON AN ASSUMED ACTIVE DUTY STRENGTH OF 38,000, 27,500 WOULD NEED TO COME FROM SOURCES OTHER THAN THE ACTIVE-DUTY FORCE.

LIKE THE DEPARTMENT OF DEFENSE, THE COAST GUARD USES ITS RESERVE COMPONENT TO MEET THOSE WARTIME PERSONNEL REQUIREMENTS THAT CANNOT BE MET BY THE ACTIVE FORCE. UNLIKE THE DEPARTMENT OF DEFENSE, WHOSE OVERALL SELECTED RESERVE STRENGTH LEVEL EXCEEDS 85 PERCENT OF ITS MOBILIZATION REQUIREMENTS, THE COAST GUARD HAS A CONGRESSIONALLY FUNDED SELECTED RESERVE STRENGTH THAT WILL MEET JUST 44 PERCENT OF ITS EARLY RESPONSE MOBILIZATION REQUIREMENT.

AS YOU KNOW, UPON FULL MOBILIZATION OVER 95 PERCENT OF THE LOGISTICAL SUPPORT FOR U.S. FORCES DEPLOYED TO FORWARD AREAS MUST MOVE BY SEA. GUARANTEEING THE AVAILABILITY OF OUR PORTS FOR AROUND-THE-CLOCK OPERATIONS IN THIS PERIOD OF HIGH TEMPO SUPPLY AND RESUPPLY IS A CORNERSTONE OF COAST GUARD MOBILIZATION PLANNING. APPROXIMATELY 80 PERCENT OF THE COAST GUARD SELECTED RESERVE IS DEDICATED TO THE

PORT SECURITY MISSION AND REPRESENTS A MAJORITY OF THE COAST GUARD'S OVERALL PORT SECURITY FORCE AVAILABLE UPON MOBILIZATION. OUR RESERVE PROGRAM PROVIDES TRAINED PERSONNEL FOR SUCH DUTIES AS BOAT CREWS, MARITIME PORT SECURITY TEAMS, EXPLOSIVES LOADING ADVISORY TEAMS, FUEL TRANSFER SUPERVISORY TEAMS, SEARCH AND RESCUE, AND ASSOCIATED COMMAND, CONTROL, AND SUPPORT ELEMENTS.

TODAY THERE ARE OVER TWENTY-FIVE PORT ZONES THAT HAVE BEEN DESIGNATED STRATEGIC SEA PORTS OF EMBARKATION (SSPOE). AN ADDITIONAL TWENTY-PLUS ZONES (THE NUMBER DEPENDING UPON THE SCENARIO) DEAL WITH NON-STRATEGIC MARITIME COMMERCE. BASED ON OUR PREVIOUS ESTIMATES A SELECTED RESERVE FORCE OF 12,000, WHICH IS THE LEVEL THAT CAN BE SUPPORTED WITH THE AMOUNTS APPROPRIATED IN FISCAL YEAR 1988, CAN BE EXPECTED TO MEET ABOUT HALF THE MANNING REQUIREMENTS FOR THESE STRATEGIC PORTS. IN REALITY, NO PORT IS LEFT COMPLETELY UNCOVERED. THE EXISTING RESOURCES FUNDED BY THE FISCAL YEAR 1988 APPROPRIATION ARE ALLOCATED TO THE PRIORITIZED STRATEGIC PORTS OF EMBARKATION ON THE BASIS ON KNOWN VULNERABILITY, ESTIMATED THREAT ASSESSMENT AND RELATIVE PRIORITY OF EARLY DEPLOYMENT AND RESUPPLY OPERATIONS. THE PLAN MANDATED BY CONGRESS WILL ADDRESS OUR TOTAL FORCE MOBILIZATION REQUIREMENTS.

HOW WE TRAIN

THE TRAINING PROGRAM FOR THE COAST GUARD RESERVE IS INCREASINGLY DIRECTED TO MEETING AND MAINTAINING OUR MARITIME DEFENSE ZONE/PORT SECURITY MOBILIZATION RESPONSIBILITIES. TO DO THIS WE USE AN AMALGAM OF AUGMENTATION TRAINING, FORMAL TRAINING AND CORRESPONDENCE COURSES TO BRING RESERVISTS TO THE DESIRED SKILL LEVEL.

THE MOST INVENTIVE OF THESE TRAINING MODES, AND THE DIRECT RESULT OF A CONGRESSIONAL MANDATE, IS AUGMENTATION TRAINING. IN THIS MODE, RESERVISTS WORK SIDE-BY-SIDE WITH THEIR ACTIVE DUTY

COUNTERPARTS, CONDUCTING ACTUAL PEACETIME MISSIONS OF THE COAST GUARD, HONING THEIR SKILLS BY USING THE SAME EQUIPMENT AND PERFORMING THE SAME OR SIMILAR DUTIES THAT THEY WILL EMPLOY UPON MOBILIZATION. FOR INSTANCE, SEVENTY PERCENT OF THE 1.6 MILLION HOURS OF AUGMENTATION TRAINING PERFORMED ANNUALLY ARE DIRECTLY TARGETED TO THE ACQUISITION OF PORT SECURITY MOBILIZATION SKILLS. MUCH OF THIS TRAINING IS PROVIDED AT ACTIVE SERVICE UNITS THAT DO NOT HAVE PORT SECURITY AS A PRIMARY MISSION, BUT THE SKILLS REQUIRED -- SMALL BOAT HANDLING, SMALL ARMS QUALIFICATIONS, APPLICATION OF COMMUNICATIONS PROCEDURES, ETC. -- TRANSLATE DIRECTLY TO MOBILIZATION TRAINING. TO THE EXTENT POSSIBLE, WE WILL CONTINUE TO MAXIMIZE AUGMENTATION OPPORTUNITIES IN FY1988.

A MOST IMPORTANT SUBSET OF AUGMENTATION TRAINING IS PARTICIPATION IN EXERCISES. THE COAST GUARD PARTICIPATES IN A WIDE RANGE OF READINESS EXERCISES TO TEST PLANS, POLICIES, AND PROCEDURES AND TO TRAIN OUR REGULAR AND RESERVE PERSONNEL FOR GENERAL WAR AND CONTINGENCIES. IN FY1987, COAST GUARD RESERVISTS PARTICIPATED IN SUCH EXERCISES AS SOLID SHIELD, REFORGER, BRIGHT STAR, TEAM SPIRIT AND BRIM FROST. THE EXERCISE PROGRAM IS A KEY PART OF THE COAST GUARD CONTINGENCY PREPAREDNESS PROGRAM AND A MEASURE OF THE READINESS OF THE COAST GUARD TO PERFORM ITS WARTIME FUNCTIONS. WITHIN THE LIMITS OF THE PERSONNEL AND FISCAL RESOURCES PROVIDED FOR EXERCISES, THE COAST GUARD PARTICIPATES IN JOINT, NAVY, COAST GUARD, DEFENSE AGENCY AND OTHER SERVICE READINESS EXERCISES WHEN REQUESTED AND WHERE SPECIFIC COAST GUARD GOALS AND OBJECTIVES CAN BE ADVANCED. WE HAVE, AS A STATED PROGRAM OBJECTIVE, THE PARTICIPATION OF TWENTY-FIVE PERCENT OF OUR SELECTED RESERVISTS IN EXERCISES EACH YEAR. WE ATTAINED A PARTICIPATION LEVEL OF TWENTY-FOUR PERCENT IN FY 1987 WHILE EXPERIENCING THE DISRUPTION ACCOMPANYING A MAJOR FIELD REORGANIZATION.

BUT AUGMENTATION AND EXERCISE PARTICIPATION ARE ONLY TWO PARTS OF THIS TRAINING AMALGAM. FORMAL TRAINING, WHICH MAY TAKE THE FORM

OF EITHER ATTENDANCE AT SCHOOL OR CORRESPONDENCE COURSES, REPRESENTS THE COMPLEMENT TO AUGMENTATION TRAINING.

A SIGNIFICANT ACCOMPLISHMENT IN THE AREA OF FORMAL TRAINING IN FY1987 HAS BEEN THE COMPLETION OF A HIGHLY SUCCESSFUL PILOT PROGRAM DEVELOPED TO RE-EVALUATE THE MINIMUM SKILLS NEEDED BY RESERVISTS UPON MOBILIZATION; VALIDATE THE TRAINING REQUIRED TO OBTAIN THESE SKILLS; AND DEVELOP NEW OR MODIFY EXISTING PROGRAMS TO PROVIDE THIS TRAINING. WE WILL BE IMPLEMENTING A REVISED TRAINING PROGRAM COAST GUARD-WIDE IN FY 1988. THIS PROGRAM, WHICH MORE CLOSELY PARALLELS THE ACTIVE FORCE SKILL QUALIFICATION SYSTEM, WILL ENABLE US TO BETTER DOCUMENT THE MOBILIZATION SKILLS ACQUIRED BY INDIVIDUAL RESERVISTS. FURTHER, THIS PROGRAM WILL GREATLY IMPROVE OUR ABILITY TO TRACK THE QUALITY OF MATCH IN THE ASSIGNMENT OF RESERVISTS TO MOBILIZATION BILLETS.

ALSO PLANNED FOR FY 1988, AND A NOTEWORTHY EXAMPLE OF INTER-SERVICE COOPERATION IN MEETING A FORMAL TRAINING NEED, IS OUR INTERACTION WITH THE MARINE CORPS WHICH WILL PROVIDE, FOR THE SECOND TIME, A SPECIAL COMBAT SKILLS/SURVIVAL COURSE AT MARINE CORPS BASE QUANTICO. IN THIS TRAINING, SOME 115 OF OUR SELECTED RESERVISTS WILL BE PROVIDED WITH THE SKILLS NECESSARY TO OPERATE IN A FORWARD AREA AND LIKELY HOSTILE ENVIRONMENT UPON MOBILIZATION.

IMPACT OF THE FY 1988 BUDGET

THE FUNDS APPROPRIATED BY THE CONGRESS FOR COAST GUARD RESERVE TRAINING IN FY 1988 RESULTED IN A TWELVE PERCENT SHORTFALL BELOW WHAT WAS NEEDED TO SUPPORT THE PRESIDENT'S BUDGET REQUEST -- A REDUCTION UNMATCHED IN THIS DECADE. ACCOMMODATING SUCH A SIGNIFICANT FUNDING REDUCTION HAS MADE NECESSARY SOME VERY DIFFICULT MANAGEMENT DECISIONS.

THE FY 1988 FUNDING NECESSITATED A REDUCTION OF OUR SELECTED RESERVE FORCE FROM THE FY 1987 END STRENGTH OF 13,287 TO A LEVEL OF 12,000 -- THE LOWEST LEVEL SINCE 1982. IT IS WORTH NOTING, HERE, THE CONTINUING CONTRADICTION BETWEEN THE AUTHORIZING COMMITTEES OF THE HOUSE AND SENATE, WHICH ENDORSE THE NEED FOR GROWTH, AND THE APPROPRIATING COMMITTEES OF THE RESPECTIVE CHAMBERS WHICH PROVIDE FUNDING FOR A SIGNIFICANTLY SMALLER FORCE.

TO REMAIN WITHIN THE AVAILABLE FUNDING LEVEL, AND ACHIEVE THE REDUCED STRENGTH LEVELS, REQUIRES A REDUCTION IN RECRUITING OF NON-PRIOR SERVICE PERSONNEL, IMPOSITION OF A REDUCED DRILL CEILING AND OPPORTUNITY FOR ACTIVE DUTY TRAINING FOR SENIOR OFFICERS AND ENLISTED, AND THE CANCELLATION OR DEFERMENT OF SOME TRAINING SUPPORT. THESE ACTIONS ARE A STEP BACKWARD, A LOSS OF GROUND GAINED WITH GREAT DIFFICULTY OVER THE PAST SEVEN YEARS. CUMULATIVELY, THEY MUST BE VIEWED AS A SERIOUS DEGRADATION OF OUR COAST GUARD RESERVE MOBILIZATION POTENTIAL.

SHOULD THE CURRENT BUDGET CLIMATE CONTINUE AND MAKE NECESSARY EVEN FURTHER REDUCTIONS IN OUR ACTIVE FORCE FACILITIES AND OPERATIONS IT WOULD EXACERBATE THE DAMAGING EFFECT ON OUR RESERVE TRAINING PROGRAM BY DECREASING THE NUMBER OF COAST GUARD PLATFORMS AVAILABLE FOR AUGMENTATION TRAINING BY THE RESERVE FORCES.

FY 1989

THE PRESIDENT'S BUDGET FOR FY 1989 PROPOSES TO RESTORE THE COAST GUARD SELECTED RESERVE STRENGTH TO A LEVEL OF 13,000. WHILE THIS REPRESENTS A MODEST GROWTH TOWARD THE TOTAL REQUIREMENT AND IS STILL 1,000 LESS THAN THE AUTHORIZED STRENGTH LEVELS FOR FY 1988 AND FY 1989, IT IS A FIRST STEP TOWARD CORRECTING A SERIOUS DEFICIENCY IN NATIONAL SECURITY. I URGE THIS BODY TO GIVE FULL CONSIDERATION TO THE PRESIDENT'S REQUEST WHEN DETERMINING OUR NATIONAL PRIORITIES FOR FY 1989.

Senator **Glenn**. Thank you.

Does anyone want to comment on the Secretary's remarks before we go ahead?

[No response.]

Thank you, gentlemen.

TOTAL FORCE CONCEPT

In this total force concept that we are in, Mr. Duncan, the Reserve forces have a very vital role to play in all the services. Just as an example, over half of the Army's total military manpower power strength is in the Army Guard and Reserve.

At your confirmation hearing, we addressed the issue of the involvement of your office in the assignment of missions to the Reserve forces and what you were planning to do and what role you would play in that. That is vital in this total force concept to decide what missions go to Reserves, what stay with the regular forces and so on. That is important to every single one of you here.

This comes up repeatedly because occasionally when we have shortfalls in certain areas in the Reserves or the Guard, we wonder whether some of these functions should be pulled back or if there are other areas where we should be expanding.

General Shy Meyer, when he was Chief of Staff of the Army, expressed some reservations about whether maybe we had gone too far in certain areas in the total force concept in assigning missions to the Guard and Reserve.

On the other hand, we just went through a long session here where one of the issues we spoke of is the difficulty retaining pilots. Yet, the Guard and Reserve as far as pilots go have more people than they know what to do with, and more people want in and you have waiting lists.

Does this mean, then, that we should assign more functions over to military airlift command, for instance? Could the Guard and Reserve pick up some of those areas where we have trouble keeping people in the regulars?

What I am getting at is not to say that it should be more or less, but are you considering your balance and does your office take the heavy hand, the role of determining what missions are assigned where in this total force concept?

I bring it up for a very good reason. These things change from one time period to another. Over a decade, the mission that Reserves can and should perform may change quite dramatically from what it would be in another 10-year period.

So how actively do you monitor this? That is a long question, more a statement than a question, but I think you get the gist of what I am driving at.

Mr. **Duncan**. Yes, sir. Let me respond generally in this fashion.

At my confirmation I think you and some of the other members of the committee expressed the same kind of reservations, and I think I was specifically asked what is the relationship of the Office of Reserve Affairs with the Office of FM&P, for example, in addressing these kinds of questions.

I committed to the committee that I would find out, and that we would be involved. I think it is fair to say that Secretary Green and I are working very, very closely. Independently, we reached the same conclusion; that while the force mix decisionmaking process starts with the services, and while we are not prepared to necessarily criticize that process yet, we both suspect that the decisionmaking process could be improved.

So right now, we are in the process of talking to the individual services about how they go about within their own military departments making those kinds of mission assignments.

Senator GLENN. Is this a fluid thing that you actively consider, or did we just set it up back there 10 years ago or whatever and now it just putts along on its own?

Is this something where the missions actually are altered and changed from year to year?

Mr. DUNCAN. It is a fluid process. My office actively participates in the process as we engage in preparation of the Department's budget recommendations to the President. In all of the budget discussions we review mission assignments. We ask such questions as, can we perform a mission effectively, but at less cost? Can we perform it more effectively by doing it this way?

So, yes, missions can be altered from year to year, but having said that, I think we both agree, Secretary Green and I, that we need to look to see if we can improve the decisionmaking process. So we are working on that right now.

Senator GLENN. Would any of the rest of you want to comment on this?

General CONAWAY. Sir, in terms of the airplanes, General Scheer and I are in constant meetings with the Air Force. We discuss the force mix, fighter balance, reconnaissance balance, the tactical airlift balance, the strategic tanker balance.

The Air Force does have a problem when it comes to the tactical fighters because it needs a rotational base. It needs sufficient units in the States to rotate from so that their fighter pilots don't spend their careers, or the majority of it, overseas.

They need a mix there. It is like throwing a dart on the wall and say that is what the percentage should be. The times determine the needs.

Tactical airlift, strategic airlift and strategic tankers, like KC-135s are basically all U.S. based and they do their missions in a TDY mode. So, the rotational base is not needed for them.

There are some people who say we should be larger in the strategic airlift, strategic tankers and maybe tactical airlift, where we are already big, but no larger in the fighter world than where we currently are.

So this situation goes on and on. Right now, the problem we have is that, we are downsizing along with the actives. They are deactivating flying units, and we are being asked to downsize our aircraft in place. If you have 24 fighters, you go to 18, like in the budget. It is an interesting dilemma when we have pilots trying to beat our doors down right now. We have quite an imbalanced situation.

Through most of my 32 year flying career pilots were almost a dime a dozen. Pilots are now in almost greater demand than physicians.

Senator GLENN. Than physicians?

General CONAWAY. That is right.

Senator **Glenn**. No, not quite, I do not think. That is the saddest part of all of this and that is our medical.

I might add, since you mentioned physicians, we are going to have a medical hearing in a couple of weeks on April 29. That is one issue that we really need to get into. That comes closer to being a war stopper right now than anything in the whole DOD panoply of interest.

General **Conaway**. Sir, I guess I need to clarify my comment. You are absolutely right. It is in the civilian sector that we may have more critical shortage of pilots than we do physicians.

Mr. **Duncan**. Senator, I would like to comment on that. I told you last October that I thought it was probably a fluid process, but that it would depend upon which mission you are talking about, which service and so forth. It is a dynamic process, the changes, but we certainly participate in those decisions.

Senator **Glenn**. How about the Army people here? Do you share some of the expression of concern that Shy Meyer expressed back several years ago before he retired? Do you feel you have been given too much to do?

General **Burdick**. Sir, General Burdick, Army National Guard.

As was mentioned, we have a continuing dialogue with the Department of the Army as to what units we should take, total Army analysis and some of our functional area assessments into our Army National Guard.

We just mentioned aviators. Within the last 2 weeks, General Brown, Vice Chief of Staff, and I visited our new Apache helicopter battalion in North Carolina. This is the first of five battalions that has come into the Army National Guard structure.

We found at that time that there is a waiting list of aviators to get into that battalion. So like we said on the Air Guard side, we have no problem in furnishing the personnel for our Army National Guard.

You mentioned that end strength is going to remain constant over 1988 for 1989. Although end strength is remaining constant, our force structure requirements continue to increase.

For example, in 1988 force structure was some 467,000. We are increasing about 7,000 to a figure of 474,000 in 1989. My delta there increases proportionately, in that end strength is going to be kept constant.

So as I say, we continue this dialogue. We can assume, I think, additional missions, but we continually discuss this with the Active component.

General **Ward**. Mr. Chairman, General Ward, Chief, Army Reserve. Let me speak from the Reserve point of view.

The situation is very similar to that with our other Reserve component, the Guard. The missions that have been devolving to the Reserve are ones based upon our capability to accomplish it, much of which is dependent upon equipment availability, a situation rapidly getting fixed and by the early 1990s should be in rather excellent shape, and on the amount of facilities and full-time support. The Army Reserve has about 8 percent full-time support now, including Active component, civilians, technicians and AGRs against the TPU base.

If you throw in the IRR, which we used and trained about 150,000 of them last year, that is about 4 percent, a very low percentage with respect to a total target of roughly 14 percent set by this body over the last 7 or 8 years.

So it is resource driven. It is not what they can do or how well they can do it but when and how, when they have to do it and where they have to do it.

So this particular issue is probably in some form every week of the year in some kind of a session with respect to tradeoffs between Reserve components and the Active component.

Senator **Glenn**. What is your trend in combat capable units?

We had some concern here about 1½ years ago. We got all the figures together here one time on the ratings of the different groups and what we could really depend on if we had to call on them as to who was really combat ready and who was not.

Is that trend line going up; is it flat; is it going down because of lack of equipment or people? What is the trend there?

General **Ward**. I can speak for the Army Reserve side. The trend is very positive, particularly in equipment on hand and in the personnel account's strength. MOS qualification is somewhat sluggish that is a function of the demographics and the turbulence in our mobile society.

MOS qualification is still far better than when I came in this Army many years ago. Between 70 and 80 percent of our enlisted soldiers are MOS qualified. With about 8 percent currently enrolled in formal MOS training courses and another, roughly 8 percent, are MOS qualified based upon school training but are awaiting the commander's evaluation and his award of the MOS. A school does not award an MOS, the unit commander does. After the school apprizes him, he issues the orders.

Our goal is 85 percent MOS qualification. Actually, the more meaningful goal is having zero percent who are not in a qualification program. We are rapidly approaching that number.

On balance, the MOS qualification rate is between 70 and 80 percent, depending upon time of year. In many units, especially early deploying units, in which there is placed substantial amount of resources, MOS qualification is very close to, and in some cases actually is 100 percent.

ASSIGNMENT OF MISSIONS

Senator **Glenn**. Let us run right across and let everyone comment on that, because I am concerned about the assignment of missions, as I mentioned to Secretary Duncan, and I am also concerned about whether our combat capability percentages are going up, are they flat, are they down because of scarce MOSs in certain areas, are you down because of equipment shortages? That is being corrected, I believe, in most cases.

What is your status in each one of the different components that you represent?

Go ahead, John.

General **Burdick**. Let me comment on that. In terms of just equipment on hand, as General Ward eluded to, because of the influx into the Reserve of necessary equipment, if I go back to 1985 we had 53 percent of our units ready, C-3 or above, for equipment on hand. That has increased, over 75 percent today because of the influx of equipment. So we have made an appreciable——

Senator GLENN. So what is your percent today? You were 53 percent then. What are you today?

General BURDICK. We are over 75 percent today, just on equipment on hand now. Unit readiness is even higher.

In terms of MOS qualification, my individual MOS qualification in the Army National Guard is 81.23 percent right now. We hear a lot about mismatch of MOSs, and I looked just recently at a few of the MOSs in our Army National Guard.

For example, in 91-Cs, which are actually practical nurses, a hard skill takes 2 years for us to train a practical nurse. If I take a look at that practical nurse and closely related medical skills, such as a medical NCO and a medical specialist, I have 96 percent of my people in a duty MOS.

If I take an 11-B, an infantryman, I looked at this and I have 87 percent of my people properly slotted in a duty MOS.

If I go to an infantryman or a cannoneer, 13-B, 89 percent. I can even go to my special operation force units, if you are wondering about taking on missions here. Let us take the 18-Ds. These are the special operations medical sergeants, the individuals who are actually supposed to be able to operate out in the field environment. I have 92 percent of my people. I only have 140 in that MOS, but I have 129 of them properly slotted and some in some ancillary MOSs.

So we have made considerable strides in the last several years.

I, too, have a problem. This year I am supposed to take on 116 new or converted type units, and in order to do that I realy need the full-time support, the active Guard reservists, the military technicians. With our being held at a constant level, I really have a requirement for 2,000 active Guard reservists to fill these 116 units this year if I am to assume that new mission.

Senator GLENN. You mentioned some of the medical personnel. As I said, we are going to have a separate hearing on that, because that has been a very tough area, and it still is. If I remember the figure, we are some 31,000 nurses short. We are about 7,000 doctors short. We have not quite figured out a way to come up with that; yet, it is something we are going to have to work on together.

I am not berating you. I am just saying it is a tough problem, and I do not know how we are going to solve it. We have to work on that one together. We will get further into that issue at the hearing on the 29th.

Admiral, do you have any comment?

Admiral SMITH. Yes, sir. I would like to address first your concern about the force mix.

The Reserve is a player, and the Navy decides on what is going to be Active and Reserve. I think that that has been driven in all services primarily by addressing forces and equipment. I think we have to look at the availability of the reservist in other than full mobilization.

I think we have a perfect example of this when where the minesweepers were needed recently.

Now, if we look back over the past 30–40 years, the requirement to have minesweepers perform in contingency operations has been minimal, which is to say to put the minesweeping capability of the Navy in the Reserve makes good sense.

But then when it is needed, the equipment is there and it is ready. It has been well maintained in the Navy, but what about the people? 673 Bravo was not exercised, and I will not go into the reasons for that.

Are those people, then, who we recruit to go aboard these ships and train caretakers, or should we expect to use those people in contingency situations as allowed in 673 Bravo? I believe that should be a consideration as we look at force mix.

Regarding readiness, just to save time, sir, I think that we have a perfect example of how ready the Naval Reserve is. We had ships from the Naval Reserve force that were needed. Five out of the six minesweepers in the Persian Gulf are Naval Reserve force ships. We just deployed two frigates, Naval Reserve frigates, to the Persian Gulf. They were ready. I was reminded by General Moore that the Naval Air Reserve completed last year, 1987, without a major mishap. As you can understand, sir, that is no mean task. We are ready.

Senator GLENN. You had no fatality in the Naval Air Reserve last year?

Admiral SMITH. No, sir. No major accidents. No class Alpha accidents.

Senator GLENN. Good. How many flight hours were involved in that?

Admiral SMITH. I cannot give you the flight hours, but we were dealing with over 400 aircraft, 52 squadrons.

Senator GLENN. Has that ever happened before?

Admiral SMITH. Not that I am aware of, sir.

Senator GLENN. I do not think it has, either, not to my memory.

Go ahead, General Moore. Do you want to comment on the general status of things?

General MOORE. Yes, sir. Thank you.

Let me start with our personnel. Today, the quality of our people is up. We have 98 percent high school graduates. We are able to recruit what we need in the Reserves. We have a MOS match of about 83 percent.

We also have some shortfalls. For example, in order to continue to enhance our training, we need additional full-time support people.

We are also testing our people with the Marine Corps Combat Readiness Evaluation System Test uses the system valves as the regulars. The passing and evaluation there indicate a high state of readiness.

We have also enjoyed a high state of readiness as far as our aircraft accident rate.

The other thing that we need to really make the Marine Corps Reserve an effective part of our total force is the modernization of our equipment. As you are well aware, sir, in order to be a full contributor in the Reserves, it mandates that we train and have the same type of equipment as the Regulars.

We are somewhat behind the other services and the other Reserves in this department. We need to modernize our light attack aircraft, and our Cobras and also within some of our command and control elements.

With your continued support in these areas we will be as totally capable and ready as a Reserve as the Regular component.

Thank you.

Senator GLENN. General Conaway.

General CONAWAY. Sir, I have already commented on the force mix issue.

On the readiness issue during this past year, the Air National Guard achieved our highest state of readiness. All of our units are fully combat ready except for those units that are converting.

In your great State of Ohio, for example, we are 104 percent on strength with almost 6,000 personnel. The ANG retention last year was the best in the Department of Defense, I might add. We have done well in our share of competitions. The Air Force prides itself on pushing the Air Guard and Air Force Reserve to the point where we compete equally and win our share of all major worldwide competitions that take place.

The 121st Tactical Fighter Wing at Rickenbacker, and the A-7 with its good avionics package (but not as good as the F-16) came in fourth in the worldwide gun smoke competition and beat over half of the F-16 teams. The Buckley ANG unit from Colorado had similar competition successes.

I might add, last Wednesday night I was at Mansfield, OH for a great dinner. We talked about you, all in good terms, of course, and your great support of the National Guard.

Senator GLENN. Glad to hear that.

General CONAWAY. General Alexander was there, and it was called——

Senator GLENN. What else do you say you need for the coming year? [Laughter.]

General CONAWAY. I have this list right here.

General Alexander, the new Adjutant General was there. A superb young man. We presented the Alan Tappan trophy, named after a great Ohio person and after which the airport in Mansfield, is named, to the top Ohio Air National Guard unit. The Rickenbacker A-7 unit won that award this past year.

It just shows that our readiness is such that Air Force is relying on us. How quick can we be ready to go? We have C-141s in strategic airlift with a unit at Jackson, MS. Last week with the Honduras deployment, the Air Force called us on 24 hour notice. We gave them all the C-141s that we had available which was four of our eight. The others were either in depot maintenance or TDY. They were all used in the deployment, 100 percent of what we had available. We got the crews and flew the missions on very short notice and a voluntary status.

The Rickenbacker A-7s are at Panama right now during the heated situation. It's for air protection of the Canal and protection of our forces there. The Mansfield C-130 unit is also down there supporting operations making their usual runs to Central America and around South America supporting U.S. Embassies.

So, that is our readiness. We have no choice. We are used every day.

Senator **Glenn**. General Scheer.

General **Scheer**. Yes, sir. First, on the force mix, we just think in the Air Force there are two things that have to be satisfied to make it a Reserve mission. One, low peacetime activity levels with an accompanying high wartime surge requirement; that is where the money is saved. Second, no combat capability can be lost in the movement from Active to Reserve, or we do not think it should be a Reserve mission.

So the required peacetime activity level usually gets to be the sticking point in determining just what that is. Then once that is decided it is a fairly easy situation to decide on how that mix can go.

But just those two criteria, if they are both solved, then it is at least a candidate mission, and then I or somebody has to decide from an overall risk standing army type of thing how we should do it.

Readiness, as General Conaway mentioned, all of our flying units are combat ready. Our nonflying units went from 75 to 92 percent in 1987 in combat readiness, primarily because the equipment that has been on order is starting to arrive.

Our tanker unit this time won the competition for tankers. The 141 guys won the best airlift wing in that MAC competition. We got the top gun and the fighter thing.

As the Guard did on this recent Honduran thing, five of our 141s really with literally a moment's notice out here at Andrews—in fact, the first one to land in Pomarillo was a 141 with a Reserve crew on it.

So overall, readiness is continuing, and the last 3 years probably the most rapid progress has been made. We still have a ways to go. ECM equipment or lack of it for both airlift and fighters is a concern, but overall I can assure you, sir, that when we say we are combat ready, it is by the same standards that you have become accustomed to over the years.

Senator **Glenn**. Thank you.

Admiral Welling.

Admiral **Welling**. Good afternoon, Senator Glenn.

Our authorization from the DOD authorization bill last year was $14,000. We were funded at a level of $12,000. We have had to take a reduction in fiscal year 1988 of roughly 10 percent of our Reserve force, some 1,300.

The President's 1989 budget would return us in the proper direction, authorizing a force level of 13,000. We seek the committee's support for that 13,000.

Better than 80 percent of our units remain R3 or better, and the Reserves maintain pretty good morale in the face of reduced training opportunities as a result of our abysmal 1988 funding level.

Our full-time support ratio is the worst of any of the Reserve components. It is nearly 1 in 20 now against the Department of Defense-wide rate, something around 1 to 7.

Those are my remarks, sir.

Senator **Glenn**. Thank you.

General Temple, I did not see you way over here behind our recorder here. I am sorry.

General **Temple**. I did not think you would miss me because I was kind of behind an attractive young lady here.

Senator **Glenn**. You get the check at the end of the table, I guess. I am sorry I left you out down there. I did not mean to.

General **Temple**. I suppose on the issue of force mix I have to tell you that I do not know the solution to where the limits are, but I must tell you I never met anyone who does.

Your point is well taken that there are a great many National Guard and Reserve units which are over strength, over strength with people who are well trained, who have had military experience, who the American people have made an investment in, and it would appear to me that it is in the best interest of our country to sustain those skills in uniform, whether it be as a vocation or as an avocation.

I see a continuing demonstration of the ability of the Guard and Reserve, and one must keep in mind that our Nation has fought wars before without "C" ratings, and we have done relatively well. We have been able to show our own people as well as our adversaries that we can deploy and sustain ourselves throughout the world in conflict before, and we are demonstrating that in exercises today at a degree we have never seen before.

Just in the Army National Guard, and, Don, my figures may not be absolutely precise, but something over 35,000 National Guardsmen deployed abroad last year for training. If you add the Air National Guard to that, it is something over 50,000 last year. The Army Guard this year will be in excess of 40,000. Concomitantly, you will have nearly 60,000 National Guardsman training abroad, sustaining their skills, demonstrating their capability to both friend and foe. After all, that is what national security is about today. That is deterrence.

So it appears to me that the discussion as to, do we have too much in the Reserve forces, the answer is a resounding no. But where it is, I must tell you I do not know where we can put more strength in the Active Guard and take out of the Active Forces.

One must be prudent to the fact that a deployed force is essential, because that again demonstrates our commitment and our resolve to our allies and to our commitments abroad. We have a moral responsibility to our Active component soldiers, sailors and airmen because they expect the Reserve force to be able to reinforce them rapidly and effectively.

So it is a complex question. I may not be answering precisely what you were striving to get to, but I think, there is room for growth in the Reserve and the Guard. I do not know where precisely that should be.

Senator **Glenn**. Well, I was concerned mainly that we have full faith that this is being studied on a continuing basis, which is the question I posed to Secretary Duncan.

I apologize again for missing you over on the end of the line when we started our questioning.

The second question you have to follow up on is are we able to carry that out once the mission is assigned. I think this is something fluid. It is not just static; it is not locked in and then it remains that way for the next 15 years. So it is something we have to evaluate continually.

PILOT RETENTION

This question came up in the previous hearing. The need for pilots and certain missions, also the question are we having a problem with pilot retention, are there certain functions we can transfer to Guard and Reserve, that they could carry out just as well as the Regulars during this period of time when we are having a retention problem. Maybe it changes through the years. I do not know. I think we have to consider this all the time anyway.

General Ward, we will be having a joint hearing with the Subcommittee on Readiness on April 13. At that hearing, we will get into the readiness of the Army Reserve, especially in the combat service support areas.

ARMY MISSIONS TO RESERVE FORCES

What role has your office played in the assignment of Army missions to the Reserve forces?

General **Ward**. We are a principal member of the Army staff involved in providing input, advice and guidance, along with the rest of the Army staff in the assignment of the roles and missions through FORSCOM and WESTCOM.

Senator **Glenn**. What role do you play and how do you——

General **Ward**. We take an aggressive position in terms of being involved with the issues. We are not the decisionmaker, however.

Senator **Glenn**. How do you then determine whether you are capable of taking on something that DOD and Secretary Duncan might call and ask you to take on? How do you go about that, then? Do you canvass your forces? Do you form more units?

General **Ward**. We analyze the resources we have available and are likely to have available against the stated missions of the warfighting commanders in chief.

From that, in concert with the rest of the Army staff, we make a judgment on the level of risk that is related to these missions.

For example, the combat services support elements in support of Europe of units may be in very great shape. However, whether we can get them to Europe in time happens to be a major concern.

Those kinds of issues are explored continually, not only in day-today activities but in activities like the the total Army analysis and functional analysis, and other requirements into account, take artillery, transportation and match the worldwide requirements against the resources.

We are a very involved player at this time.

FRIGATE RETIREMENT

Senator **Glenn**. Admiral Smith, DOD decided to retire 16 frigates instead of transferring these ships to the Reserve Fleet. Why?

Admiral **Smith**. I guess I cannot answer for DOD, sir. We have been the subject of whether or not they should be put into the Naval Reserve, but——

Senator GLENN. What role did your office play in that decision, and was the decision based on any lack of capacity of the Reserve to man the ships?

Admiral SMITH. I cannot speak to how the decision came about. I can speak to whether or not we can provide the manpower for them.

Senator GLENN. I will get back to you in just a second.

Mr. Duncan, why was that decision made? Obviously we want Naval power. It is increasing. Why are we laying up 16 frigates?

Mr. DUNCAN. First of all, it was the Navy's decision.

Senator GLENN. Could they not have been given to the Reserve and let the Reserves man those?

Mr. DUNCAN. I guess I am little reluctant, Senator, to talk about my advice to the Secretary, but let me just share with you some of the concerns that I think are rather obvious and perhaps——

Senator GLENN. Feel free. We would be glad to have it for the record. [Laughter.]

Mr. DUNCAN. Let me just simply say that there are several obvious concerns, and I think many of these concerns are widely shared within the Navy. Some of them are manpower related. Some of them are equipment related.

First of all, those particular 16 frigates have a unique pressure-fired 1,200 pound boiler system that requires a great deal of maintenance and upkeep. That translates into cost and dollars, unfortunately.

Now, you are talking to a guy who served as a Naval Reserve Surface Warfare Officer for many years, and I understand completely how good such training platforms would be. But first of all, you start with engineering plants that would require not only the cost of maintenance, but a steady flow of trained manpower that is pretty unique, boiler technicians and others, to man the plants.

If those engineering plants are that unique, one question which if fairly asked is where are the trained manpower folks going to come from? The Navy already has significant manpower problems, as you know. How then can those ships be fully manned by the Navy Reserve?

My best understanding is that that would be a doable thing. You could man them, but real strain would be involved. Admiral Smith can speak to that issue.

So, we first have the manning problem, and, second, the question of the cost of the maintenance and so forth. These ships are 20–24 years old. One of the two classes involved has no surface to air missiles. The main armament are 5-inch 38 gun mounts.

So, we are discussing 20–24-year-old ships with engineering problems, maintenance problems, not fully modern equipment in the way of main armament on at least one class of the ships. I think most people who address the question would very much like to see those ships stay in the Active Force, but when we are having to cut a defense budget by in excess of $30 billion, we necessarily have to make some hard choices. There is always going to be someone to second guess those choices later.

Senator GLENN. Was the decision made solely on the maintenance costs and so on, or was it that we did not figure that was a mission to be assigned to the Reserves?

Mr. DUNCAN. At no time was there any discussion of the ability of the Reserves. That was never in question at all. Generally, the Secretary's approach and our approach in the Department is, given the magnitude of the budget cuts we have to make, we have simply faced up to hard decisions and have decided that we would rather have smaller forces that are fully ready to go, than larger force structure.

Now, people can argue about our approach, but of the four pillars of modern equipment, force structure sustainability, and readiness, we opted for ready units that may have to be smaller. In making these kinds of hard decisions, there are going to be some consequences that are not universally popular. We recognize that.

Mr. GLENN. When we are trying to build to a 600-ship force that the President set as a goal, and that was our goal, and then we know we had to cut back on that because of budgetary constraints, it hit a lot of people around here, me included, I must say, as rather strange that we would take another 16 out.

Maybe it was the flat money of it. I have not seen the estimates on what would have been necessary, but Admiral Smith, as far as you are concerned, could you have manned those?

Admiral SMITH. It would be difficult, sir, but we can man them. We would have to do it differently than we have manned the 24 frigates that we have now and the two more that we will get.

Demographics are a big problem. We do not have the people close to where the ships are, but we have looked at a plan where we would airlift people in for the weekend drills. That would not be easy, but if we have to do it, we can do it.

Senator GLENN. My view on it is I would rather have something than nothing. We are cutting back on what our overall naval strengths should be or what we would like to see it be.

Granted, these are not the most modern ships in the world, but they are something. We know we need large numbers of frigates over there in the Persian Gulf and rotate them through that area. That is going to be a continuing commitment of this country. This is not something that we will be involved in for a few months. Seventy percent of the known Reserves of oil in the world come out of the Persian Gulf, and every modern industrialized country runs on oil. So I see our commitment to that area as being a longstanding one.

But maybe there were budgetary reasons. I have not gone into all that. Let me get into a different area.

Mr. DUNCAN. Sir, if I could follow up with one comment. I think there is no doubt at all about the President's commitment to the goal of 600 ships. We still have that goal.

Let me simply say that starting with Secretary Carlucci and the rest of us in the Department, we have made some hard decisions, very difficult decisions. We were not universally happy about having to make those tough decisions, but we think that it was our responsibility to do so, and we did it.

READINESS OF MARINE CORPS RESERVE UNITS

Senator **Glenn**. General Moore, in a meeting I had with Secretary Duncan in December, I inquired on the readiness of the early deploying Marine Corps Reserve units.

In a written response I received, I was gratified to know that 88 percent of the combat units of the 4th Marine Division, for instance, were combat ready, rated C-3 or better.

However, I was not quite that happy with the fact that only 61 percent of the combat support units were combat ready and only 38 percent of the combat service support units were combat ready.

What are the reasons for this, and what is our progress? Are we making any progress toward eliminating that problem?

General **Moore**. Yes, sir. One of the difficulties we have in some of the support units is some of the skills that are required.

We have increased our nonprior service recruiting, and we are utilizing more formal school training so that these individuals will be 100 percent MOS qualified. So a lot of the C ratings are directly related to the training level of the support elements.

Today we have made some progress, and you will see continued increases in those areas within the next couple of years.

COAST GUARD RESERVE

Senator **Glenn**. Admiral Welling, in his written statement Mr. Duncan indicated the Coast Guard Reserve's fill rate of mobilization requirements is far below that of other Reserve components and poses a serious national security threat for harbor defense, port security that is critical to strategic mobility.

What steps are you taking to correct the situation? Is there anything we have to do at this end of the avenue to assist you in this?

Admiral **Welling**. Sir, the authorization last year required the Secretary of Transportation to report to the Congress a 10-year plan for achieving 95 percent of our mobilization force requirement.

We are working with the Department and with OMB to finish that plan and submit it to the Congress. We will provide a road map, a guide to future force increases over a protracted period to achieve the end strength necessary. That is our primary approach.

Authorizations we have received, but we have not received funding support adequate to achieve those authorizations in the past. Our biggest job is getting support in both Houses on the appropriations side, sir.

Senator **Glenn**. There are some other studies over in the White House that I have heard about, one of which is going to privatize the Coast Guard. I guess in the interest of your future promotions, I will not seek your opinion on that at this particular point, or maybe you would be happy to give it. I do not know.

But anyway, some of these ideas of privatization, I think, have gone a little far. I do not know whether we are about to contract out with Brinks for all of our defense of the country or what we are about to do. When they are doing studies on privatizing the Coast Guard, privatizing the National Institutes of Health and things like that—well, we wait and see what they come up with.

I do not know who from Sesame Street is running this over there, but somebody is. [Laughter.]

Admiral **Welling**. For the record, sir, I oppose the privatization of the Coast Guard.

Senator **Glenn**. Good for you, in public, too. Good. Blessings on you. I think we are carrying this much too far.

Mr. Duncan, I believe it is fair to say you have an unhappy element in the Guard and Reserve components, and I am referring to the 45,000 or so dual status technicians that are employed in the Guard.

The subcommittee has received numerous complaints from that group. The basic complaint is that there is lack of concern by Guard and Reserve leadership about the rights and working conditions of dual status technicians.

DUAL STATUS TECHNICIAN PROGRAM

Could you explain, first, the dual status technician program to us?

Mr. **Duncan**. Briefly, I think we are talking about military technicians, people who are Federal civilian employees who also have a drilling obligation with their respective units and who would be mobilized if their unit was mobilized.

Senator **Glenn**. Right.

Mr. **Duncan**. I am not sure that I understand precisely what problems you are referring to.

Senator **Glenn**. Do you have a particular policy that refers to those dual status people? They are in a rather peculiar, unique situation. Do you have a policy well understood by those people as to what their status is and how they are to be treated at different times?

Mr. **Duncan**. We are getting very close. As a matter of fact, my office is presently staffing a proposed new DOD directive that will do exactly that, give some guidance to the individual services about——

Senator **Glenn**. A new directive coming out now?

Mr. **Duncan**. We are staffing it. We have already gone through one draft, and we are staffing it right now in our office, trying to give some general guidance to the individual services about full-time support personnel.

Senator **Glenn**. Has General Temple been cut in as part of getting it ready? I see his hand up over here.

General **Temple**. I am certain he will let me know, because I have the responsibility for managing the National Guard program. That notwithstanding——

Senator **Glenn**. Have you not been part of this study yet?

General **Temple**. Not to my knowledge.

Senator **Glenn**. I think you should be if you have not been.

General **Temple**. I am the major employer of technicians, particularly those who have a responsibility to drill with deploying units, which is the foundation for the technician program in the Air and the Army National Guard. We do not propose a change, yet.

There have been some areas of discontent among some of the technicians because we have initiated a program where all technicians would meet the very same military requirements as the Active component.

I am responsible for initiating that program, and I have been the target of a great deal of unhappiness by some technicians, not all but by some, because it seemed to me that if we are going to have AGR personnel who we mandate, that they meet the same professional qualifications of the Active force.

If we are paying members of the technician force from the Federal treasury and they must fill a military specialty within their unit and deploy as a key leader within that unit, then I think the American people deserve to know that those members of the technician force are meeting the same professional qualifications as members of the Active force. That means that they meet the same physical and the same professional standards as anyone who puts the uniform on, whether it be members of the Army or the Air National Guard.

Quite obviously, that has caused some people to train more rigorously, to leave their homes for training that they may not feel comfortable with but they have met those standards.

All in all, the quality of the force has been enhanced because of that, and my position is that it is to the best interest of our country and the National Guard to continue with that policy.

Senator **Glenn**. It puts the people sort of on the spot, though, because Secretary Duncan basically has control over civilians as they are working for the military, right?

You have them in a military capacity. So there is a dual role.

Let me just point this out. One of the things that came up is a number of complaints we had from dual status technicians that they are required to wear their military uniforms while they are performing work in civilian status during the normal work week.

Now, that sounds very small, picayune, mundane, niggling, whatever you want to say, except when you get into some of the legalities of it as to whether those people when they are in uniform are subject to the Uniform Code of Military Justice what rights they have in that regard, what if they refuse to comply with an order when they are just a technician as opposed to when they are in military uniform.

Pretty soon you begin to see that we are getting into a sticky area.

So we have received quite a few letters on this about the uncertainty of their status. I think some of these technicians have a point that they are in a legally ambiguous situation, and I do not know whether the study you are doing will correct this and, General Temple, what your view of this is.

I would solicit your comments.

General **Temple**. The historic traditions of the technician program have been that the members will wear their uniforms while on duty.

Now, in every State there is a military code which covers members of those units.

Senator **Glenn**. Is that while they are on duty as a member of the Guard or Reserve?

General **Temple**. While they are on duty as a member of the Guard and Reserve.

Senator **Glenn**. How about when they are operating or working on an airplane in their civilian capacity?

General **Temple**. They are members of the Civil Service Program, and they are covered under the same disciplinary rules and regulations that affect them.

Now, it appears to me that inasmuch as some of these people, some not all, are members of organized labor, organized labor has raised the issue from time to time that wearing of the uniform is a violation of the rights of the individual.

My view is that if you are operating in a military function within an armory, on an airfield, in a maintenance facility, you should wear the uniform because in order to be in that position you must be a member of the National Guard unit. We believe it enhances the stature of the unit and the individual to perform in the military uniform.

Senator **Glenn**. Let me just run through a couple of things, because in 7 minutes I will have to leave for the floor and we will end the hearing at that time and submit the rest of the questions for the record rather than keep you here waiting.

I think that is one that you need to get together on and straighten that out. Labor did not present that to us. I know that has been a problem in the past, but maybe some of the people that complained or wrote letters to us were members of organized labor. I do not know.

Mr. **Duncan**. Frankly, Senator, those are management problems that would seem capable of routine resolution. They do not seem terribly difficult to me.

Senator **Glenn**. When we first got into this the issue was, whether the guy wears the uniform or not, what on earth makes a difference? But it is far more serious than that now, because it is whether you come under UCMJ or civilian courts and a whole host of things.

General **Burdick**. Senator, if I could make a comment.

Senator **Glenn**. Yes, go ahead.

General **Burdick**. Senator, just to clarify a point, you mentioned the civil service technicians. Your secretary and the secretaries we have over in the Pentagon are competitive civil service employees. Our military technicians are different, and they are in the excepted service because of the dual status and because of the requirement to be in the unit and also to wear the uniform.

Now, if this were to open up to be competitive, they would have to compete with every individual out there in the civilian sector. There are certain requirements in terms of being medically fit, as General Temple pointed out. So it is not the same as the ordinary competitive civil service technician.

General **Ward**. Mr. Chairman, quickly for the record, the issue in the Army Reserve is not quite the same because of differences in legal status, but of our 8,000 military technicians, about 800 are status quo; that is, they do not deploy with the unit. They are people who are now out of the military.

Our biggest issue with them is providing an upward career path as technicians compatible with their upward career path in the military. We submitted a proposal last year to both Houses on the command support center and devised a plan for that with FORCECOM. It is coming back before the appropriations side of both bodies this year for review of the plan.

We think the plan is an excellent plan, and without moving forward in this plan for 2-year tests, I think the technician program down the road is going to have a severe problem because these people literally have no upward mobility today.

TECHNICIANS RIGHT TO APPEAL

Senator GLENN. General Temple, another complaint that we have received from this same group or some of the same people is that under current statutes, technicians have no right to appeal an adverse action beyond the adjutant general of their State. This means the chain of management that proposes an adverse action is also the chain that decides an appeal. They are concerned about that. That is another problem you might want to look into.

Do you have any comment on it at this time.

General TEMPLE. Yes. Given the fact that their continued service in the technician program is related to their service in the National Guard and the Adjutant General is the final authority on National Guard matters within the State, it seems to me it is appropriate that that be the final appeal.

Senator GLENN. This is an area that I think you need to look into and work together and work out whatever the problem is, because we have a few people out there who are a little unhappy about the whole thing right now. I know that.

MILITARY RETIREMENT REFORM ACT

Mr. Duncan, a provision of the Military Retirement Reform Act of 1986 required the Secretary of Defense to submit to the Congress by February 1, 1988 a report on the Reserve retirement system together with any proposals for change.

What is the status of that report? We do not yet have it.

Mr. DUNCAN. The QRMC submitted their interim report. I think it was due February 1, and I understood they sent it over.

Senator GLENN. Will you check that?

Mr. DUNCAN. I will. The final report, I understand, is not going to be over until something like late June, but the final report will address all compensation issues. I understood the interim report is addressed to the retirement part of it.

Senator GLENN. I do not think we have the report yet.

Mr. DUNCAN. Of course it is a report to the Secretary of Defense, and I do not know precisely what the status is.

Senator GLENN. It was required to be submitted to us by February 1, 1988. It was on the Reserve retirement system and any proposals for change.

Can you check on that?

Mr. DUNCAN. I certainly will. The work is supposed to be finished by late June, I know that.

RESERVE COMPENSATION AND BENEFITS

Senator **Glenn**. Also, the sixth quadrennial review of military compensation is examining Reserve compensation and benefits on a comprehensive basis.

What is the status of that report, and when will we receive that? Do you know?

Mr. **Duncan**. Maybe I am confused, but it was the QRMC that sent over the interim report. The staff finished one report, and they will submit their final report by late June.

Are we talking about the entire QRMC, including the retirement package and the full compensation package?

[The information follows:]

Retirement Reform

The report required by the Military Retirement Reform Act of 1986 was forwarded to the President of the Senate and the Speaker of the House on March 23, 1988. As recommended by the conference committee on the 1986 Act, the report was compiled as part of the work of the 6th Quadrennial Review of Military Compensation (QRMC). The final report of the QRMC is not expected before late June. The final recommendations on reserve retirement may differ from those in the report forwarded on March 23rd. Secretary Carlucci's forwarding letter indicated that the report on reserve retirement was an interim report pending consideration of the reserve retirement recommendations in relationship to conclusions in the QRMC report on other aspects of reserve compensation.

Senator **Glenn**. These were supposed to be two separate reports. If they are being combined, let me know because the first one I mentioned was supposed to be here by February 1. The Military Retirement Reform Act of 1986 required that report.

The other QRMC is the one you say is still in preparation, and I will not get into that now because we do not have time this morning.

I am going to have to submit the rest of these for the record because I am going to have to go and vote as soon as the clock goes off.

Senator Wilson asked that I ask a couple of questions, and I will try to go as far as I can with these.

Oh, I have to leave now, so I will submit these for the record also.

Gentlemen, I am sorry we had to delay you this morning, but I appreciate your responsiveness and patience. Other members of the committee may wish to submit questions and we would appreciate your response in writing as soon as possible so we could get them into the record as promptly as possible.

We just want to work together on all these issues. Please give me a call if you have anything you want to talk over about views on this end of the avenue. I know that is a danger to say because some of you are liable to do it, and I welcome that. I truly do. That way we do not have our confrontations once a year at hearings like this. We work out many of our problems together in advance, and that is the way we should be doing it.

[Additional statements submitted for the hearing record by the Retired Officers Association, Noncommissioned Officers Association, and Maj. Gen. Evan Hultman, Reserve Officers Association follow:]

STATEMENT OF
THE RETIRED OFFICERS ASSOCIATION

Presented by

Colonel Paul W. Arcari, USAF, Retired
Deputy Director of Legislative Affairs
The Retired Officers Association (TROA)

MR. CHAIRMAN AND THE MEMBERS OF THE COMMITTEE

I am Colonel Paul W. Arcari, USAF, Retired, Deputy Director of Legislative Affairs for The Retired Officers Association (TROA) which has its national headquarters at 201 North Washington Street, Alexandria, Virginia. Our association has a membership of more than 354,000 active duty, retired and reserve officers of the seven uniformed services. Included in our membership are approximately 50,000 auxiliary members who are survivors of former members.

We appreciate the opportunity to present our views on issues that could adversely affect the personnel readiness of the armed forces.

MILITARY COMPENSATION -- READINESS PROBLEM OF THE 1990'S

The military services have reached a critical crossroads. Although there are many pivotal factors that are contributing to what may predictably be termed the "hemorrhage of talent" of the 1990's, it is becoming increasingly clear that the adequacy of military compensation is the main issue. A fundamental and mounting concern that surfaces repeatedly during TROA conferences, seminars, and people-to-people discussions is leadership's inability to provide military members adequate compensation levels, while imposing ever- increasing demands on them. This concern is adversely impacting morale — with an as yet unquantifiable multiplier effect on retention.

In retrospect, the recruiting and retention picture today is quite comparable to that which existed in the mid-1970's. Just as in 1976-77, although no serious downward trends have emerged, shortages exist in high tech skills, pilots, nuclear officers and more recently, recruiters have fallen short of their goals. As was the case then, in the seven preceding years there has been a pervasive degradation in military compensation and institutional supports. For example, since pay comparability was restored in 1981, a series of management actions — driven in part by the erroneous perception that manpower costs were out of control— have shattered the fundamental character of a service career to the extent that members are increasingly concerned about future security. Paramount among these factors are six consecutive years of pay caps, the dramatic reduction in the military retirement system, the degradation of the Variable Housing Allowance and the decline in in-house health care resources, coupled with the inability of CHAMPUS to serve as a reasonable substitute. Compounding the adverse effects of these actual losses have been the incessant attacks on the commissary.

What followed the preliminary warning signals in the late 1970's was that all of the services experienced severe recruiting shortfalls and an almost irreversible "hemorrhage" of talent. For example, the Air Force lost almost 6,300 pilots in two years, the Navy was virtually forced to tie up ships in port due to the lack of qualified seamen and petty officers to crew them and the Army Chief of Staff described his forces as the "hollow army." That disaster could have been avoided, but was not, due to a lack of foresight. This Committee has a rare opportunity to avoid the mistakes of the 1970's. The critical first step is not to allow the gap between military and private sector pay to widen further.

As indicated in the enclosed chart, after years of degradation, military pay lags private sector pay increases by 14.6 percent. For perspective, this comparison uses the same standard that Congress used to restore military pay to reasonable levels of comparability with the private sector in 1981. Although the more conservative standard adopted by DoD in recent years, the Employment Cost Index, produces a gap of 11 percent, its use tends to mask the real degradation that has occurred.

By contrast, at the height of the Services recruiting and retention disasters of the 1970's, the gap was only 7.8 percent. The "hemorrhage" of talent then was so severe that Congress enacted consecutive double-digit pay raises of 11.7 and 14.3 percent in 1980 and 1981, respectively, to turn retention around.

The pressures to hold the line on defense spending are intense. However, the manpower disaster of the 1970's provides compelling reasons why military pay must not deteriorate further. To keep the gap from widening, TROA recommends that all military members be provided a minimum pay increase of 4.3 percent in FY '89. The Defense Budget contains funds for that purpose.

AFFORDABLE HOUSING: A CRITICAL NEED

The Variable Housing Allowance (VHA) was enacted in 1980 and was designed to provide married service members, living off-base and raising young families, the opportunity to obtain safe and affordable community housing. Like many new programs, the VHA underwent several policy reforms during its initial years to eliminate unintended inequities and to balance the disparity in housing costs across the country.

When the rates were restructured in 1985, the law contemplated that members would absorb 15 percent of their housing expenses out of pocket. However, because of two successive freezes of VHA funding, military members who live off-base are now absorbing about 22 percent of housing costs out of pocket. To make matters worse, because of the freeze in FY '88, more than 80,000 military members, including 60,000 in grades E-6 and below, suffered a take home pay cut, even with the two(2) percent pay raise that went into effect at the same time.

TROA strongly recommends that this committee authorize the 3.4 percent inflation increase proposed for the VHA in the FY '89 Defense Budget. Further degradation of this program will aggravate the adverse effects of the private sector pay gap.

RECOGNIZING THE UNIQUE CONDITIONS OF SERVICE

The military services are unique callings. The demands we place on our military men and women are unlike those of any other country. Our worldwide interests and commitments place heavy burdens and responsibilities on their shoulders. They must be prepared to live anywhere, fight anywhere, and maintain high morale and combat efficiency under frequently adverse and uncomfortable conditions. They are asked to undergo frequent exposure to risk, long hours of overtime without pay, periodic relocations and family separation. They accept abridgment of freedom of speech, political and organizational activity, and control over living and working conditions. These are all part of the very personal price our military people pay.

Yet all of this must be done in the light of -- and in comparison to -- a civilian sector that is considerably different. We ask military people to be highly disciplined when society places a heavy premium on individual freedom, to maintain a steady and acute sense of purpose when some in society question the value of our institutions and debate our national goals. In short, we ask them to surrender elements of their freedom in order to serve and defend a society that has the highest degree of liberty and independence in the world.

Such extraordinary personal sacrifices defy quantification, and cannot be compensated for by an explicit element of the pay and allowance system. Rather, the unique conditions of military service traditionally have been recognized by providing military members and families with a system of institutional supports and privileges designed to foster a sense of community within the military institution -- that is, a feeling that the military "takes care of its own." These supports and privileges are tangible evidence of the reciprocal commitment between member and institution, and provide an element of "psychic income" with a perceived value that often far exceeds the actual cost to the government.

Although many programs fall under the category of institutional supports the most important and visible of these are medical care; education programs; commissaries; exchanges; and morale, welfare and recreation programs. In recent years, numerous proposals have been offered for reductions in each of these important areas, and these proposals have undermined morale. One of the most important of these institutional supports, the commissary system, is threatened by pervasive efforts to turn the operation over to private sector profiteers.

COMMISSARY PRIVATIZATION: A DEMORALIZING IDEA

The President's Commission on Privatization (PCOP) has recommended that private sector businesses should participate in managing and operating military commissaries in the United States (CONUS)

The perfunctory nature of the Commission' examination of the commissary issue is readily apparent. If the private sector operates commissaries in CONUS, who will operate the troop supply function? As the Committee is aware, military commissaries provide troop supply food sources in peacetime and in wartime. In this regard, peacetime operation of military commissaries provides a trained cadre of expert military food logisticians for wartime supplies. These members are trained in the commissaries to obtain the basic skills of food inventory management including requisitioning, pipeline and stock rotation. The importance of having trained and experienced people to keep the supply lines open during wartime military operations was clearly demonstrated by the British experience in the Falklands. Privatization of CONUS commissaries would erode the training base and obviate the availability of replacements for commissary personnel assigned overseas.

There are other compelling reasons for preserving the commissary system as it exists today, unfettered by the profit motive. The continued need for the military commissary system has been reaffirmed by eminent study groups on numerous occasions. These studies based their recommendations in large measure on the fact that commissaries are an extremely cost effective investment. More than $2.00 is saved by the member for every $1.00 invested by the government. A 1980 Hay Associates survey conducted for the Office of the Secretary of Defense showed that the value of commissaries perceived by the member is substantially greater than the actual value. This significant real and perceived return on investment has a profound influence on career decisions (i.e., retention).

For military commanders, the commissary represents a valued tradition with significant impact on morale and esprit. For the military family, commissaries mean increased purchasing power. In the many studies of the subject conducted over the years, it has been demonstrated consistently that loss of the commissary would actually increase defense costs because of the substantially greater budgetary expenditures for recruiting, retention and compensation to offset its loss.

Reducing or eliminating commissary support through privatization would undermine morale which is a key element of military preparedness. Department of Defense-wide there almost one million married careerists who place great reliance on commissaries. In addition to careerists, discontinuance of the commissaries would be devastating to: 1) the many junior enlisted families who are even now hard-pressed to make ends meet; 2) the 130,000 widows of military members; and 3) almost 150,000 totally disabled veterans eligible for commissary patronage.

It would be difficult to quantify the impact that reduced morale will have on retention and ultimately readiness; however, one could predict that it would be substantial based on member reaction when the proposal to phase-out the commissary subsidy was advanced in previous years. The Administration's 1975 proposal to phase out appropriated fund support of commissaries was considered to be a serious breach of contract by active duty members, retirees, reservists an their dependents and produced more negative constituent mail to Congress than any other people issue in the Services' experience. Because of the extreme reaction of its constituents, the Congress categorically rejected the proposal.

Commissaries represent a critical part of the total compensation package and are especially important to the 1.6 million lower grade servicemembers in the armed services in grades E-1 through E-6. More than 111,000 of them earn less than the federal government's official poverty level of $11,203 for a family of four. Another 133,900 earn less than $1,000 above that level. Yet another 339,700 draw military compensation that is less than $2,500 above the poverty level. Almost 52 percent of this group are married.

The commissary's ability to stretch the dollar is absolutely essential to these young families and helps them partially recover from the significant, unreimbursed, out-of-pocket costs they encounter in response to military orders.

Savings of 20 percent or more on food help tremendously in substituting for the shortage of compensation in those areas where servicemembers are forced to pay much of their own way. Two examples are moving expenses and housing costs.

Two tests of the contracting-out concept led to the conclusion that civilian contractors cannot match current benefits or services without increasing surcharges to the point where savings are too insignificant to attract customers.

A test of contracting-out commissary management at the Yuma (Ariz.) Proving Grounds resulted in declining services and rising costs of more than 17 percent. In a test of vendor shelf stocking, the contractor withdrew when the program was not profitable.

Based on these considerations, we strongly recommend that you reject the PCOP's recommendation to privatize CONUS commissaries and further that you prohibit further testing of the concept. Both of these actions will reassure military members that the vitality of this critical institutional support will be preserved.

THE PCS TRAUMA

Unless an individual has served a career in the military, with its short-notice reassignments and world-wide relocation policy, it is virtually impossible to comprehend the trauma associated with the pronouncement, "You're going PCS." Yet thousands of military members and their families are confronted with the reality that military service will require them to uproot their families, change schools, leave friends and travel to a foreign and sometimes hostile environment. The decision is normally unilateral. The member's only decision, if married, is whether to take his family with him to endure uncertain hardships or leave them behind and endure the sacrifices of family separation. The only other choice that is sometimes available is to separate or retire in lieu of the move.

Military members generally accept the need for these permanent changes of station (PCS) moves as an integral part of a service career. What they don't understand is why they should be forced to make those PCSs at great personal, financial expense.

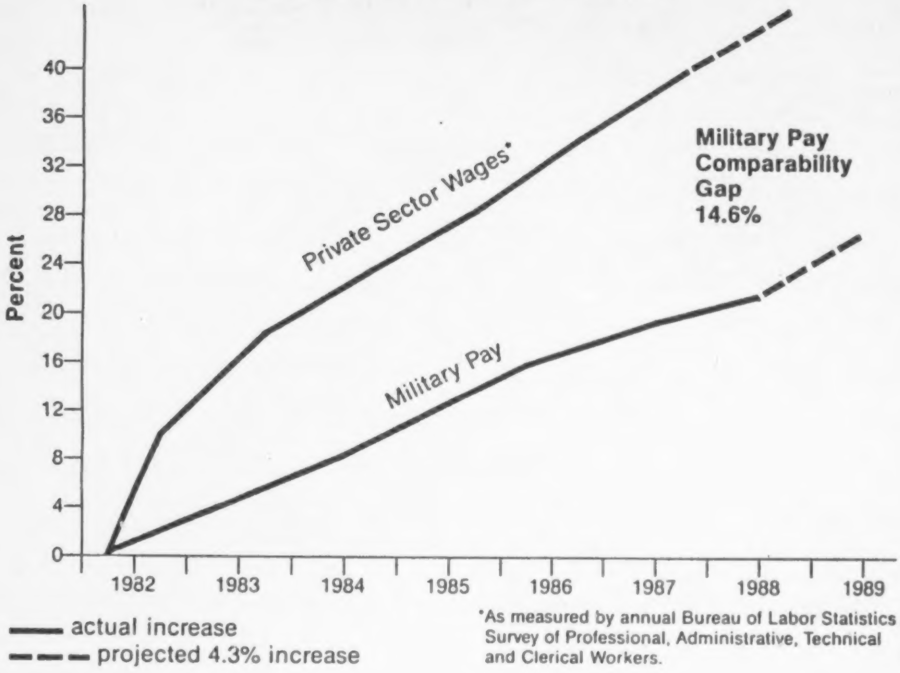
For years, Service witnesses have testified that unreimbursed out-of-pocket PCS expenses range from $1,300-$2,700 per move. A major contributing factor is the outdated household goods weight allowances. Equally significant is the need for full funding of the Temporary Lodging Expense (TLE).

To mitigate the financial aspects of the PCS trauma, TROA strongly recommends that this Committee establish an imperative to have Congress recognize and fully fund the costs resulting from PCS moves.

SUMMARY

The decisions made by this committee for FY 1989 will have a profound effect on which career path -- military or civilian -- our highly skilled officers and NCO's will take . The wrong decisions such as another pay cap, freeze of Variable Housing Allowance funding or commissary privatization could very well trigger another "hemorrhage" of talent comparable to that which all services experienced in the late 1970's. Pay caps coupled with an omnidirectional, piecemeal assault on other entitlement programs prematurely drove thousands of expensively trained and highly experienced military careerists into the private sector. Unlike the 1970's, when the Services and Congress were forced to play catch up with the downward recruiting and retention spiral, we have an unique opportunity to benefit from lessons learned. The recommendations contained in this statement will facilitate the Services retention programs and we respectfully request your support.

Military Pay
Eight Years of Deterioration



*As measured by annual Bureau of Labor Statistics Survey of Professional, Administrative, Technical and Clerical Workers.

STATEMENT OF

SERGEANT MAJOR C. A. (MACK) MCKINNEY, USMC (RET.)

LEGISLATIVE COUNSEL

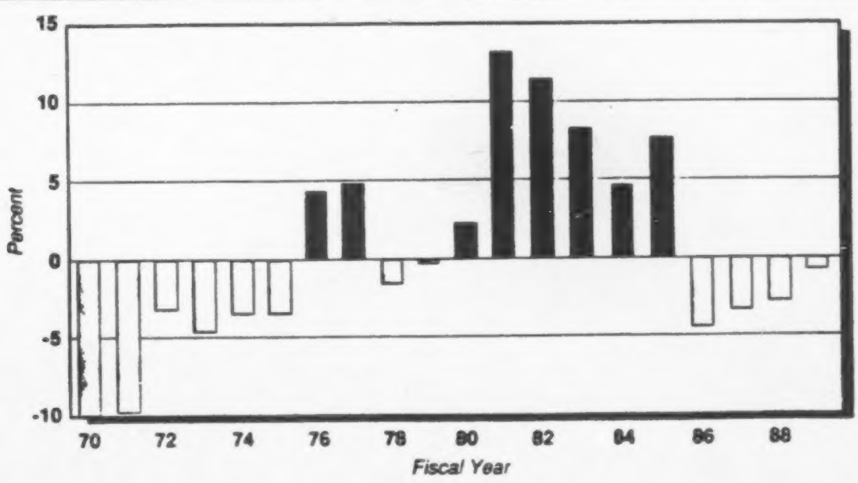
NON COMMISSIONED OFFICERS ASSOCIATION OF THE USA (NCOA)

The Non Commissioned Officers Association of the USA (NCOA) is headquartered in San Antonio, Texas with a National Capital Office (NATCO) located in Alexandria, Virginia. NATCO is staffed with six (6) noncommissioned and petty officers; five (5) retired and one (1) veteran; with a combined record of more than 140 years of military service and 40 years of representing the NCOA in governmental affairs. Two additional staff members are married to military personnel. Of the eight, there are two each with ties to the Army, Navy, Marine Corps or Air Force.

NCOA membership is currently in excess of 160,000. It is representative of all branches of the Armed Forces with a majority on active duty serving worldwide. Most of the association's active chapters are located on or near military installations. This close relationship with the military community is the cornerstone by which the association builds its legislative initiatives program.

MILITARY MANPOWER

Real Growth in Defense Budget Authority



The above chart, prepared and disseminated by the Department of Defense, reflects more than the story of real growth in the defense budget from 1970 through 1989. By itself the illustration parallels the history of the all-volunteer force. Cut in two, the left half might well tell the tale of the early years of the all-volunteer concept. It travels the road to the exodus of military talent occurring in the late 1970s.

The opposite side depicts the endorsement of the nation's commitment in the first half of this decade to upgrade and enhance the readiness of the U.S. Armed Forces. Congress faced the reality of the times and, with the incumbent Administration's support, adopted an adequate compensation package; including a targeted pay hike in FY 1982; muffled further threats of cutbacks in benefits and entitlements, and improved quality-of-life programs for servicemembers and their families.

If, however, the chart is dissected in three parts, the last section (1986-1989) could be the advent of a reoccurrence of the first or left part. As often said, "The past is prologue."

In the early 1970s professional military personnel were beginning to ward off inner-conflicts of understanding their roles in the Vietnam War. Congress adopted the all-volunteer force. Social and legal reforms were plaguing the military. The services lost unit integrity and solid, uniformed leadership. Pay was capped, and benefits were threatened, cut-back or terminated. The Administration and some members of Congress publicly sought to adversely change established entitlements which servicemembers held dear as rewards for years of arduous service to the nation.

The combination eventually brought on an exodus of qualified and experienced career-oriented, mid-level officers and noncommissioned officers (including petty officers) as never before experienced in U.S. military history. Ships were unable to go to sea and the then Army's Chief of Staff confessed that he had only a "hollow Army" to command. Military readiness was at its lowest level in years.

Today, it appears that this nation may be again heading down that same road. Troops are beginning to question the ways of Congress, U.S. policy, and the political ramifications involving service to the nation. They're wondering why and how such incidents as the Beruit massacre, the Gander air crash, and the attack on the USS STARK fit into the pattern of their role as world peacekeepers. They want to know why their pay is capped, why their entitlements and benefits are under attack, why their dependents are having difficulty receiving health care in military treatment facilities, and why Congress is again forcing social reform on the military services? They want to know if promises made to them as an incentive to stay in the service will be threatened and cut-back as experienced by today's retirees? And they seek understanding of their family responsibility and the need for senior officers in the services to do more than mouth the boast that the troops come first.

True, initial enlistments are still coming in well. Retention is reportedly greater than ever, but one must bear in mind that recruiting and retention rates are based on selected figures. If, however, these rates are considered acceptable, why are more servicemembers looking for civilian employment?

For 16 years the Non Commissioned Officers Association of the USA (NCOA) has accepted the task of sponsoring veterans' job fairs around the U.S. and in Hawaii and the Federal Republic of Germany. In the last 12 months, during 22 scheduled job fairs, more and more uniformed personnel are participating as job seekers.

Little by little, day by day, month by month, the scenario plotting today's military environment is slowly reverting to the 1970 script. Unless Congress acts to reverse the dialogue the United States will experience another hemorrhage of talent. It may very well cost much more to apply the bandage in 1990 than it did in 1980.

NCOA urges the Congress of the United States to adopt adequate pay hikes to compensate the troops at a rate commensurate with their worth to the nation and to its allies, and to continue to upgrade quality-of-life and training programs necessary to sustain the high-state of morale and readiness now enjoyed by the Armed Forces of the United States.

Statement of

Major General Evan L. Hultman, AUS (Ret.)

Executive Director

Reserve Officers Association of the United States

Mr. Chairman and Members of the Committee:

On behalf of the many men and women from all of the uniformed services who are members of the Reserve Officers Association, I appreciate having this opportunity to address the FY89 Department of Defense authorization pertaining to the readiness of the Reserve forces.

In the past years, the ROA has encouraged Congress to satisfy the personnel needs and to provide better and more modern equipment to the Reserve Components as an economical way to maintain the readiness of the armed forces in a precarious world. While the threat to our national security has in no way diminished, the amended FY89 defense budget request has been significantly reduced. Thus the wisdom of providing needed resources to the Reserve has become even more apparent.

It is well known that Reserve forces are the most economical source of units when they are properly managed, equipped and trained. The Reserves have repeatedly demonstrated that they can do the job. At a time when it has become politically necessary to reduce defense spending, reliance on the Reserves is especially meaningful, and that means providing them effective equipment.

ROA wishes to thank the Congress for personnel programs and for the significant gains made in modernizing the equipment of the Reserve forces during recent years. To a great extent, this has been initiated by Congress, not Pentagon budget requests. ROA is concerned that having been assigned additional missions or responsibilities, the Reserve forces will now be expected to accept across-the-board reductions or a "fair share" of the cuts. It is our contention that the Reserve Components should be provided more resources, not less, when the active forces are cut.

Traditionally, force structure is transferred to the less expensive Reserve Components to preserve it for future contingencies. The saving is made by placing it in the Reserve. However, mission transfers are not always accompanied by essential manpower required to effectively manage force growth, the equipment necessary to assume maintenance of combat capability, nor the funding to train the force to required readiness levels. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve and the active forces, combat capability and readiness must suffer.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive $294 billion in outlays for FY89. We understand and appreciate the ramifications of the budget agreement, but withtin the budget constraints, we urge the Committee to reorder the priorities of the amended FY89 DoD budget request to adequately fund the added missions and responsibilities of the

Reserve Components. Recognizing the inherent savings in the Reserve force structure, we encourage the Congress to assure that essential manpower, equipment and operating funds be authorized to preserve the required combat readiness of the Total Force.

Army Reserve

The Army Reserve (USAR) is an integral part of the Total Army which requires highly trained, rapid deploying forces capable of deterring aggression on a broad spectrum of conflict. Today, with increased missions and heightened mobilization readiness, the Army Reserve deploys in many instances well before its active counterparts. Gone are the days which offered lengthy post-mobilization training periods. Gone are the days when the Army Reserve was considered primarily a source of replacements and fillers.

Today's Army Reserve must be trained and equipped now for mobilization and deployment. Preparing for this war mission has increased the administrative and logistical burden on the unit commander. His available time which should be focused on training for war is subsumed in personnel records keeping, pay problems, conduct of over-40 screening, HIV testing, tracking Reserve Center property, and other programs. The unit commander focuses on these areas because they are also areas for inspection during the Annual General Inspections. Combat readiness is being denigrated for peacetime administrative readiness.

Administrative readiness is also a myth. There are thousands of Reserve soldiers each month whose pay is not processed correctly. Bonus payments and VA benefits are delayed unnecessarily because systems do not support the soldier. This contributes to Army Reserve units facing approximately one-third turnover in personnel each year.

Accordingly, the Army Reserve has developed a concept (the Command Support Center) which it believes will improve its management and readiness by removing the peacetime unique administrative burden from the unit commander, permitting him or her to spend more time planning, preparing and supervising training for mobilization. The CSC concept provides for assigning full-time personnel, primarily military, to troop units to provide full-time assistance to the commander to better organize, plan and train in all functional areas in the unit. The Command Support Center is a support activity, located in each USAR Center, which provides Base Operations (BASOPS) support to the tenant units of that center. It is formed primarily by those Army Reserve Technicians who currently perform the majority of those peacetime functions in the resident units.

The Command Support Center concept would offer the following major improvements:

* Provide Reserve commanders with an organization structure fitted to mobilization readiness requirements.

* Release unit commanders from administrative duties to train their unit.

* Align the technician force to support activities.

* Align the full-time military force (AC and AGR) to training and mobilization preparedness activities.

* Provide career enhancement opportunities within the technician program.

Today, increased missions and heightened mobilization readiness finds the Army Reserve deploying along side -- not well after its active counterparts. The Army's unprecedented and fully justified reliance upon its Reserve Component has been due, in large part, to the effectiveness of its Full-Time Support Program.

Congress has been highly supportive in this increased role and modernization for the Army Reserve by providing the funding for new equipment, full-time Reservists and increased unit strengths. While supportive of the Army Reserve's increased role, the Congress has for the past several years included language in its annual Department of Defense appropriations bill that has restricted the Army's initiatives to more efficiently manage the Army Reserve technician portion of its full-time support force.

The technician program is a critical part of the Army Reserve Full-Time Support Program, but was designed to support an Army Reserve that was much smaller and deployed 60 to 90 days after its active counterparts. The Technician Program remains as it was in the early 1950's.

Increasingly tightened budgets dictate changes in the way the Reserves must do business. Every aspect of the Reserve's operation must be as efficient as possible. Accordingly, the Army Reserve seeks to improve its management and readiness by removing the peacetime unique administrative burden from the unit commander permitting him or her to spend more time planning, preparing and supervising training for mobilization. Based on the Army's own evaluation and the recommendations of the General Accounting Office, the Army Reserve has developed a test plan for restructing its full-time support program to make it more responsive and cost effective to the expanding role that the Reserves must play in today's Total Army. The Army believes that this proposed restructuring will give the Army the programmatic flexibility it needs to provide significantly improved full-time support at all Reserve organizational levels. Restructuring will also enable the Army to apply recent improvements in Reserve administration and automation systems such as the Reserve Component Automation System (RCAS).

The Army Reserve is seeking committee approval to conduct a limited test of the full-time support restructuring. The test, which would take about 24 months and would be limited to three major US Army Reserve Commands, would allow the Army to evaluate and modify its concept based upon actual experience, measuring productivity and readiness, and would also allow its military technicians to study and evaluate the effect its proposal would have on their status and careers.

The Army Reserve needs continued support and emphasis on benefits to make service attractive. Incentive Programs are a must. The Army Continuing Education System (ACES) provides various educational opportunities to enlisted soldiers and commissioned officers who attend school part-time (e.g., high school completion and part-time post-secondary school) and are not covered by the Montgomery GI Bill. Commissioned officers incur a four year Selected Reserve service obligation following the last ACES supported class. Our need in the area is a legislative change to permit AGR officers and all warrant officers to receive tuition assistance.

The Montgomery GI Bill is a most valuable entitlement and provides benefits to our soldiers and airmen who are attending undergraduate college on a half-time or more basis. ACES provides tuition assistance to soldiers who attend college on a less than half-time basis as well as many low-cost high-impact educational opportunities that the Montgomery GI Bill doesn't cover (e.g., high school completion, college credit by examination, and college credit by evaluation). These two programs complement each other in covering the educational spectrum and are very useful.

While budget constraints in constructing the Army Reserve's portion of the FY89 amended budget submission caused the request for end strength growth to be zero, the requirement for PDS and AGR growth remains. A modest PDS and AGR growth in FY89 along with maintaining the authorization for the FY88 MilTech end strength in FY89 would allow the Army Reserve to continue the key new structure growth and fill in some of those critical areas in the existing structure that were either not filled or targeted as offsets for the new structure. Structure requirements and affordability would suggest a growth of 2,000 PDS and 350 AGR.

Changes to Title 10, USC were recommended by the Reserve Component General Officer Advisory Review Board and the Secretary of the Army. These changes would:

1. Allow Reserve Generals to be temporarily on active duty without requiring that an active General Officer slot be vacated.

2. Improve the efficiency of the General Officer selection boards by not requiring that a Reserve General Officer be reviewed by two boards for the same promotion.

3. Remove the requirement that a full Colonel be assigned into a General Officer position before he or she is eligible for boarding and selection as a General Officer.

The Army Reserve is an integral and essential part of the Total Army. In the fiscally constrained times ahead, your continued support is necessary for the Army Reserve to continue to provide trained units and qualified individuals to meet the nation's requirements.

Air Force Reserve

The Air Force Reserve (AFR) continues to set the standards for combat readiness and effectiveness of Reserve forces. All flying units are now combat ready and can be mobilized in 24 hours. With the modern equipment provided by the Congress in previous years, AFR units and individuals have again demonstrated their excellence in 1987.

In the highly competitive Air Force world-wide fighter gunnery competition, GUNSMOKE, the first, second, and fifth places in the individual "Top Gun" category were taken by Reservists from the 419th Tactical Fighter Wing. The 419th is an F-16 equipped AFR unit at Hill AFB, Utah that finished second out of 18 fighter wings in the overall standings.

Another example of the capability of Reservists to make the most of modern equipment is in the C-130H units, equipped by the Congress with add-ons to the DOD budget. The Dobbins AFB C-130H unit won the world-wide airlift competition in 1986 and the Maxwell AFB unit had the highest C-130 score in 1987. There is no doubt that the taxpayers receive top value for their dollars when the AFR receives modern equipment and the resources to train to combat ready status.

A Reserve team comprised of members of the Rescue units at Homestead AFB, Florida and Portland, Oregon won the best overall award at the International Search and Rescue Exercise. However, even these outstanding individuals are limited in their operational capability by their pre-Vietnam era H-3 helicopters. Modernization with MH-60G helicopters, as the Congress accomplished for the Air National Guard last year, would provide a dramatic increase in supportability and capability. ROA urges the Congress to add funds for 18 MH-60G aircraft to the FY89 AFR budget.

Despite their excellent training and demonstrated combat capability, AFR aircrews need equipment to improve their ability to penetrate sophisticated enemy defenses. The AFR's tactical fighter units lack the capability to survive in an electronic warfare environment because of a shortage of Electronic Counter-Measures (ECM) pods. AFR tactical and strategic airlift aircraft have no ability to detect or counter enemy radar or infrared missiles. The AFR is currently initiating a program to provide limited defensive capability for its fighter and airlift aircraft with funds added by the Congress to the FY88 budget. Again, we urge the Congress to continue this initiative by adding $45.9 million to the FY89 AFR budget.

ROA is concerned that budget constraints have resulted in the Air Force's proposing to "double dip" the AFR in its zeal to meet the FY89 spending limits. Significant savings are made when force structure is transferred to the Reserve Components. We ask that these savings not be "double dipped" by applying so-called "fair share" across-the-board cuts to the AFR and active force structures and appropriations.

For example, the Air Force's proposed reduction of aircraft and crew positions in the Air Reserve Forces will result in putting combat ready aircrews "out on the street" at the same time the Air Force is requesting 54 million dollars in bonuses to help stem the hemorage of pilots from active duty. Common sense would suggest that there should be more pilot slots in the Reserve, not fewer, to retain some of these highly trained and combat critical individuals in the Total Force. The taxpayers have at least six million dollars invested in each Air Force fighter pilot, yet the proposed deletion of an entire Air Reserve Force fighter wing equivalent (72 aircraft/90 pilots) will save only sixty million dollars a year.

The other ingredients of combat capability must also be adequately funded to have a force that can meet the threat. Reserve personnel, full-time support personnel, Operations and Maintence accounts are all essential to continue the outstanding status of the Air Force Reserve.

The Air Force Reserve continued to grow in FY87 to an end strength of 80,415. Despite recent budget reductions, the AFR unit end strength is programmed to increase 70 percent from FY76 to FY94. The transfer of missions and addition of new missions is responsible for this growth. However, the ratio of full-time support personnel to unit end strength has declined from 25 percent to 20 percent. This committee has recognized the vital contribution to AFR combat capability made by military technicians and other full-time support personnel, and we urge your continued support for growth in this essential infrastructure.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive $294 billion in outlays in FY89. We urge the Congress to reorder the priorities in the FY89 DOD budget to retain the maximum combat capability in the Total Force by taking advantage of the cost savings inherent in the Reserve components.

NAVAL AND MARINE CORPS RESERVE

The Naval and Marine Corps Reserve personnel programs show no growth from the end of FY88 to the end of FY89. If rumors are true, this "freeze" may extend throughout the Five Year Defense Plan (FYDP). This situation is totally incongruous with the assignment of new units and equipment modernization which are also planned for these components. The impact of the freeze in the number of Full-Time Support (FTS) personnel is particularly disturbing. Increases in FTS end strength last year were reduced dramatically by Congress. The FTS growth request was cut in half in the case of the Naval Reserve and reduced by 70 personnel in case of the Marine Corps Reserve. The new units are still standing up, but in some cases without the necessary support personnel and in other cases the active force has had to reallocate military end strength to support the Reserve component at the expense of active force units. Both situations are unsatisfactory. The reductions imposed last year and the freeze proposed for FY89 must be corrected. Therefore, ROA recommends an increase in FTS end strength for FY89 of 750 for the Naval Reserve and 270 for the Marine Corps Reserve.

Although the growth in Selected Reserve drilling personnel is also proposed to be frozen at FY88 end strength level, this situation is not as critical as the FTS freeze since, under these circumstances, the components will be better able to focus on improving the match of skills of the individual Selected Reservist and his or her mobilization billet. This skill mismatch has been an item of concern within both components and their leadership is taking aggressive action to improve the training received by Reservists. Unfortunately, the lack of required FTS personnel has a very negative impact on achieving planned training improvements.

One way to improve overall effectiveness of training is to reduce the demand for training as much as possible. Reducing personnel turn-over is an obvious way to reduce the demand for training and, at the same time, increase unit readiness (more unit personnel will be in a "fully trained" status). The administration has, for the past several years, requested authorization to pay a modest Unit Incentive Pay ($10 per drill) to enlisted members of hard-to-man units. The primary example of such units are the Naval Reserve ships. This proposal is not included in the FY89 Amended Budget Submission since it was not adopted by Congress last year, as requested, and would again require earmarking of very scarce fiscal resources. Said another way, DoD was not willing to hazard even the relatively small amount of funding required for this incentive because Congress failed to support this initiative last year. The rationale for failure to approve last year was apparently to wait for the results of the Sixth Quadrennial Review of Military Compensation (6th QRMC) since this group was reviewing all Reserve compensation. We are still waiting for the report of the 6th QRMC which, apparently, will recommend implementation of Unit Incentive Pay on a test basis in 1990. ROA strongly recommends that this test start in FY89. All indications are that Unit Incentive Pay will be effective management tool, it should not be denied to Reserve managers any longer than necessary.

COAST GUARD RESERVE

The modest growth in Selected Reserve strength requested for the Coast Guard for FY89, a 13,000 end strength, although an increase of 1,000 from the level funded for this year, is still 500 less than requested for last year and 1,000 less than authorized by Congress for FY88. Even more telling is the fact that a Coast Guard Selected Reserve strength of 13,000 is only 48 percent of mobilization requirements. In addition, it appears that the all too gentle slope of programmed growth will not permit the Coast Guard Reserve to reach 90 percent of requirements until the end of 1997.

This committee has been very sensitive to this glaring deficiency and included in the FY88 Department of Defense Authorization Act a provision stating that the Secretary of Transportation shall submit to the Congress "... a plan to enable the Coast Guard to meet 95 percet of its wartime mobilization requirements by September 30, 1998." This plan was due to Congress within 60 days of enactment of that law. To date, the required report has not been submitted. ROA recommends that Congress reaffirm the requirement for this report and then hold the administration to the timely achievement of the required

Coast Guard Selected Reserve strength levels.

GENERAL PERSONNEL ISSUES

RESERVE OFFICER PERSONNEL MANAGEMENT ACT (ROPMA)

The need for legislation addressing appointment, retention, promotion and retirement of reserve officers is crucial to the management of the Reserve component. When the Defense Officer Personnel Management Act (DOPMA) was adopted in 1981 for the active component personnel, it was understood that ROPMA would follow as a counterpart to replace ROPA (the Reserve Office Personnel Act). ROPMA was introduced in the 99th Congress but died in Committee. The Department of Defense sent the ROPMA proposal back to the Congress 8 May 1987.

On 25 January 1988, Congressman G.V. (Sonny) Montgomery introduced ROPMA as H.R. 3856 and the bill was referred to the House Armed Services Committee. On 26 January, Mr. Montgomery announced his introduction of H.R. 3856 before 500 Reserve officers at a Reserve Officers Association Mid-Winter Conference at the Washington Hilton. The Reserve officers responded to the announcement with a prolonged standing ovation.

In its FY87 Annual Report of the Reserve Forces Policy Board, the Reserves Forces Policy Board states that "Among other issues, ROPMA would:"

* provide common statures for all reserve components regarding appointment, promotion, separation, and retirement of reserve component officers.

* establish a visible, uniform, and improved personnel management system for reserve component officers not on the active duty list.

* provide the flexibility to be responsive to changing officer requirements.

- * provide a balance between management objectives and equitable treatment of individual career expectations, including an attractive career progression for reserve component officers.

In its conclusion, "The Board recommends that passage of the proposed ROPMA legislation be given priority by the Congress".

It is our understanding that the respective subcommittees of both the House and Senate Armed Services Committees intend to consider ROPA during this session of the Congress, but the subcommittees have exhibited some trepidation. While there are those who perhaps cannot embrace the total proposal enthusiastically, there is a real need for legislation, and ROA is unaware of any organized opposition to the proposal. We are very anxious for the subcommittees to get on with their consideration of the measure and will be happy to work with the members and staff in evaluating the potential impact of the proposal on the Reserve forces.

RESERVE MEDICAL COVERAGE

Over the past several years the Congress has made great strides in equalizing the medical benefits for Reservists and their survivors in the event a Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less than thirty days. We appreciate what you have done for this important element of the total force and believe that the increased reliance that is being placed upon the Reserve Components made it essential that they be provided with equal medical, disability, and survivor benefits. As can frequently happen with such a comprehensive legislative overhaul, there are certain minor examples of where new inequities have been created that we would encourage the members of this Committee to look at. For example, a student, after paying tuition for the school year, may suffer a financial loss if he is unable to attend class because of a

Reserve duty related injury; since he has not suffered a loss in "pay" he is ineligible for reimbursement of his educational investment. To repeat, ROA appreciates what the Congress has done in this area over the past few years and believes that only minor fine tuning of the problem remains to be addressed.

MEDICAL SHORTFALLS

As the Reserve Forces Policy Board stated in its annual report on the Reserve Component Programs for FY 1987, approximately two-thirds of the medical care required during a major conflict in which the U.S. may be involved will be provided by Reserve Components. The Army National Guard and Army Reserve provide about 69% of the total Army's personnel in health related skills and units. The Naval Reserve provides nearly 58% and the Air National Guard and the Air Force Reserve contribute 33% to their respective services' health care needs. Therefore, the readiness of these Reserve Component medical forces is critical since so many of them will be required in the early days of a conflict. For this reason we hope that this Committee, as it addresses the medical shortfalls that currently exist, will work with the services to address methods by which the Reserve Components may reduce their shortages. For example, as reported by the Reserve Forces Policy Board, the Reserve Components are short approximately 7,100 physicians, 31,000 nurses and 73,000 enlisted health specialists in their wartime requirements. Even though the Congress has enacted incentives to attract and retain health professionals in undermanned skills, we are concerned that these shortages will continue if new and creative recruitment and retention procedures are not adopted. ROA hopes that the members of this Committee will work with the health professionals in the different services in establishing such new and creative programs to solve some of the shortage which currently exist among our Reserve Component medical professionals. In the past, ROA has testified that we believe that a health care professional special pay program for Reserve personnel should be considered as part of an overall plan to reduce existing shortages. As you know, such a special pay was enacted for active duty health care professionals by the 96th Congress but the Reserve Components were not included. ROA believes a special pay incentive program, when coupled with other initiatives, could have the same beneficial effect on recruiting and retention for the Reserve Components that PL 96-284 had for the active duty force.

CHAMPUS REFORM INITIATIVE

We note that a limited test of the CHAMPUS Reform Initiative (CRI) will begin later this year and we look forward to seeing an evaluation of its effectiveness after it has been in operation over a reasonable period of time. ROA applauds the objective of providing better health care at lower costs to both the government and the beneficiary and we urge the Congress to thoroughly evaluate the results of this limited implementation before permitting the Department of Defense to expand the concept beyond the area where it will be initially tested. We hope this Committee will, in particular, consider the military health care beneficiary who is not CHAMPUS eligible to determine what impact CRI has on the availability of treatment in the military health care system.

GI BILL

ROA was quite pleased to see the Congress enact legislation last year to make the new GI Bill permanent legislation. We believe that the Montgomery GI Bill is good not only for the services and the individual service member but is also good for our country. We note that legislative progress is currently being made in fine tuning the Bill in order to address some of the short comings which have become evident with the passage of time. We hope that needed improvements, such as a mechanism by which a service member or his family may be compensated if through medical disability or death the service member is prohibited from participating in the benefits of the program, will be enacted in this session of Congress.

SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION AND MILITARY RETIREMENT

ROA is very interested in seeing the final report as submitted on the results of the Sixth Quadrennial Review of Military Compensation since it is focusing on the Reserve Components. As a general principle, we believe that the current Reserve Component compensation system is basically fair and adequate; however, we recognize that a certain amount of fine tuning can well be justified and, therefore, we look forward with interest to seeing just exactly what recommendations, if any, are sent to the Congress based upon the extensive work that was devoted to this review of military compensation.

Since a great deal of the effort of the Sixth Quadrennial Review of Military Compensation was devoted to the Reserve retirement package, we look forward in particular to seeing the report that is submitted to the Congress on this program. It would be premature at this time to comment on any proposed changes. But if changes are recommended, ROA will be happy to work with this Committee in evaluating the potential impact if such changes were enacted into law. We find it significant that at the very time recommended changes to the Reserve retirement program are being prepared for submission to the Congress that the CBO, in its March 1988 report to the Senate and House Committees on the Budget, offers an option of terminating the Reserve retirement program for those entering the Reserve Components after the end of Fiscal Year 1988. ROA believes such a proposal to be totally unrealistic and would call the Committee's attention to a report issued by the Defense Manpower Data Center based on the 1986 Reserve Components Surveys. This report lists retirement as one of the major retention factors for Reserve personnel, as well as one of the major incentives for individuals leaving active duty to become active in the Reserve. For example, sixty-five percent of the enlisted personnel with prior service listed retirement as a major contributor compared to only thirty-six percent of the enlisted personnel without prior active service. Sixty-nine percent of the officers with prior service and fifty percent without prior service offer retirement as a major factor in retention decisions. Statistics like this confirm our opinion that Reserve retirement, which ROA worked for forty years ago, is and will continue to be a key factor in retaining the high quality personnel that are needed in the Reserve Components.

RESERVE COMPONENT SURVIVOR BENEFIT PLAN

The FY '86 Defense Authorization Bill established a two-tier Survivor Benefit Plan for those who first became retirement eligible on or after 1 October 1985. Under the two-tier plan a survivor would receive 55% of retired pay up to age 62 and 35% thereafter. The new two-tier plan eliminates the Social Security offset. However, by imposing an automatic reduction of the annuity to 35% at age 62, the new plan makes a mandatory cut in the annuity for all SBP recipients. Reserve Component survivors are the ones most adversely affected by this change. Under the old system a Reservist who paid maximum Social Security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his survivors. Under the new system the survivor of a Reservist who had no Social Security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee reexamine the Survivor Benefit Plan changes with a goal of eliminating the two-tier system.

Thank you for the opportunity to present ROA's views on these important subjects. Your support for the men and women in uniform, both active and Reserve, is sincerely appreciated. I will be happy to answer any questions you might have.

[Questions for the hearing record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN GLENN

OFFICE OF FAMILY SUPPORT, EDUCATION AND SAFETY

Senator GLENN. Mr. Green, I think you need to evaluate your entire family support, education and safety operation to satisfy yourself that it is doing that kind of oversight that is needed in these important areas.

Would you provide, for the record, your assessment of the accomplishments of this office since its inception and your plans, if any, to energize it?

Mr. GREEN. The establishment of the Office of Family Support, Education and Safety (FSE&S) 2 years ago consolidated all of the related family, education and safety issues under one Deputy Assistant Secretary of Defense. The creation of this office elevated the visibility of quality of life (QOL) issues so that they would be represented on a par with the manpower and hardware issues. This office also enables the OSD to have oversight of the Services' QOL programs, and to advocate for and support these programs as appropriate. The office has my total support for its extensive and responsive work on important QOL issues. In my view, the office has provided consistent growth in services and improvement of support for military members and their families.

The accomplishments of this young office have been significant:

Issued Directive on Employment and Volunteer Work of Spouses of Military Personnel.

Promulgated the first Department of Defense Family Policy Statement signed by Secretary Carlucci.

Co-Chairs the establishment of a Pentagon child care center.

Issued Instruction on Child and Spouse Abuse Reporting.

Appointed a Director for Department of Defense Dependents Schools who, for the first time, is a successful, experienced public school superintendent.

Developed Inter-agency Agreement with Health and Human Services and Memorandum of Understanding with Department of Agriculture to expand support for military families worldwide.

Provide oversight and distribute funds for the prevention and treatment of spouse and child abuse.

Activated OSD committee responsible for monitoring education and medical services to handicapped students worldwide.

Established Drug Abuse Resistance Education (D.A.R.E.) in DOD schools worldwide.

Published a Directive establishing formal communication lines between DOD schools, parents, and communities through School Advisory Councils and Installation of Advisory Councils.

Expanded computer instruction and utilization in all schools operated by DOD.

Re-established meetings with the Advisory Council on Dependents' Education and the Dependents Education Council which provide input and guidance for the operation of DOD schools.

Established a task force to survey public education for military dependents on Guam and drafted contract to improve the education for minor military dependents attending Guamanian public schools.

Contracted with RAND Corporation to conduct extensive studies of Section 6 Schools to examine issues to be addressed when transferring those schools to the local or state education agencies.

Sponsored the first Military Family Strategic Planning Conference focusing on relocation, family member employment assistance, child care, family advocacy, and prevention of child and spouse abuse.

Chairs the Family Policy Coordinating Committee, which has the active involvement of senior officials from OSD and all Military Services.

Initiated Management Improvement Program initiative on child care.

Expanded the visibility of spouse employment issues and improved provisions via regulation changes and formation of joint-Service employment assistance cooperatives.

Issued a memorandum governing (and supporting) home-based businesses in quarters.

Monitored start-up of the first relocation assistance center; worked with Army to prepare contract for Relocation Services.

Initiated and sponsored successful annual worldwide DoD Volunteer Management Training conferences.

Sponsored annual ceremonies for Month of the Military Child, Military Spouse Day, and National Family Week.

Broadened utilization of American Forces Information Service (AFIS) and American Forces Radio and Television Service (FTRTS) for family-related releases.

Initiated Building Family Strengths Program worldwide.

Provided guidance to Services on Youth Sponsorship and Child Care Contingency Plans.

Collected and disseminated information on military families through the Military Family Resource Center (MFRC). Added 1,700 new research and resource documents and provided over 6,000 bibliographies and documents to MFRC library users.

Published 6 Military Family newsletters.

Developed new computer software using d Base III Plus for MFRC library to increase storage and speed of retrieval.

Published a Directive on the Family Advocacy Program.

Initiated acquisition process to develop Family Advocacy Program Standards.

Initiated acquisition process to develop assessment and program design models for Family Advocacy Programs in Alaska.

Established Family Advocacy Program working subcommittees on media, prevention, standards and quality assurance, research, and training.

Completed study of jurisdictional issues as they relate to implementation of the Family Advocacy Program.

Requested that State public welfare administrators establish procedures for reporting instances of child abuse to military family advocacy representatives.

Initiated acquisition process to develop DOD data compatibility with existing civilian child and spouse abuse data.

Established initial procedures for alleged child sexual abuse reporting in DOD sanctioned "out-of-home" care settings.

Developed software, in cooperation with the Defense Manpower Data Center, to examine and display the semi-annual child and spouse abuse report submitted by the Military Departments.

Assisted in the design and refinement of twenty-four radio and television spot announcements for overseas audiences on child and spouse abuse.

Spearheaded "April: Child Abuse Prevention Month" campaign.

Reviewed child and spouse abuse films, started the publication of the first annual report, and distributed 329 procured films to identified family advocacy sites.

Initiated joint-Service training via the Family Advocacy Staff Training (FAST) course.

Established semi-annual military briefings on safety and occupational health programs. Analyzed accident statistics, identified trends and weaknesses, and programmed corrective action.

Required newly procured DOD aircraft to have flight data recorders which is a valuable accident analysis and accident prevention tool.

Reduced aviation accident rates to record lows, thus increasing combat readiness.

Established OSD centrally controlled Class accident data bank.

Strengthened on-the-job safety and health programs, resulting in a significant decrease in the number of DOD civilian employee worker compensation claims (55,519 claims in 1985, down to 50,706 in 1987).

Developed a training program to apprise all DOD and Federal government personnel of workplace chemical hazards.

Ensured that the DOD Components now program funds for the correction of safety hazards.

TUITION ASSISTANCE PROGRAM

Senator **Glenn**. Mr. Duncan, I have a few questions on the tuition assistance program for Reserve members.

First, would you please describe the program. In other words, who is eligible to participate, the kinds and levels of education covered, the cost of the program, and other particulars?

What service commitments do Reserve personnel have to make in order to receive tuition assistance?

Why did the Army start this program when it already had the new GI bill for Reserves?

General Ward, any comments?

Mr. **Duncan**. Only the Army is offering tuition assistance to members of the Reserve components. Participation is open to members of the Selected Reserve, both enlisted and officer, except warrant officers. Tuition assistance is available for educational programs leading to an associate, baccalaureate or graduate degree, as well as completion of high school, subject to the statutory limitations found in section 2007, title 10, United States Code. Section 2007(c)(1) limits officer educational programs to those leading to a baccalaureate degree. Enlisted and officer personnel are eligible for payments up to 75 percent of the charges for tuition and laboratory fees, except enlisted members in pay grades E-5 or higher with less than 14 years of service may receive up to 90 percent of the charges. One hundred percent of the charges for a high school completion program may be paid. Tuition assistance is not paid, however, to members who are receiving benefits under a GI bill or the Veterans Educational Assistance Program. In other words, tuition assistance is intended to *not* duplicate benefits.

In fiscal year 1987, the Army paid for 5,607 course enrollments for enlisted personnel in the Army Reserve and 16,197 course enrollments for enlisted personnel in the Army National Guard. One individual may have received assistance for more than one course enrollment. Officer course enrollments under this program were 1,338 in the USAR and 4,606 in the ARNG. The costs of the program in fiscal year 1987 were $4.24 M for the ARNG and $1.87 M for the USAR.

In the first quarter of fiscal year 1988, the tuition assistance program has funded 1,745 enlisted course enrollments in the USAR and 644 officer enrollments. Another 5,488 enlisted course enrollments were paid for the ARNG plus 888 officer course enrollments. Total costs for the first quarter of fiscal year 1988 are $543,000 for the USAR and $1.1 M for the ARNG.

The only service commitments required of Selected Reserve recipients of tuition assistance is that officers must serve 4 years in the Selected Reserve after completion of the program (required by section 2007(c)(2)). Enlisted persons must have sufficient time remaining to complete their educational course(s) before they leave the Selected Reserve. Reserve officers on full-time active duty in AGR status, however, must serve 2 years on active duty following completion of their program. These commissioned members of the Selected Reserve are governed by the provisions of section 2007(a)(3) rather than 2007(c)(2).

The Army approved tuition assistance for members of the Reserve primarily to address the failure of the Montgomery GI bill to pay benefits for less than half-time study. This concept still applies so that Selected Reservists attending school on a half-time or greater basis must use their Montgomery GI bill entitlement rather than tuition assistance. Additional reasons for allowing tuition assistance for the Reserve components is to assist officers pursuing graduate education (not permitted under the Montgomery GI bill-Reserve, Chapter 106, title 10, United States Code). In some cases, particularly graduate-level courses, tuition assistance provides a greater payment than a prorated benefit under the Montgomery GI bill-Reserve would permit, so in these instances it would be a more effective incentive. Finally, the Army first decided to approve tuition assistance for members of the Selected Reserve in 1983, prior to enactment of the Montgomery GI bill or its predecessor, the test program known as the New GI bill which became effective for a 3-year period beginning July 1, 1985.

DUAL STATUS TECHNICIANS

Senator GLENN. Mr. Duncan, I believe you need to review the dual status technician program from top to bottom and then come forward with a legislative recommendation, if one is needed, to address these and other apparent problems. As I have said on several occasions, I look to the Office of the Secretary of Defense to exercise oversight on matters such as this and not merely rubber stamp everything that comes up.

Mr. DUNCAN. I do not agree that this is an issue my office needs to review in depth at this time. The dual status technician programs of the Army and Air Force Reserve and National Guard are reviewed annually by my office as part of the Defense Department's programming and budgeting cycle. An in-depth GAO review of the Army Reserve and Army National Guard's dual status technician program was completed in 1985. The findings and recommendations were endorsed by my office and the Department of the Army, and necessary remedial action initiated.

In April 1986 my office also performed a review of all Reserve component full-time support programs (to include dual status technicians). A report of this review was provided to the House Committee on Appropriations, and a copy also provided to the Senate Armed Services Committee. The report stated overall satisfaction with full-time programs while identifying some residual problems.

The Sixth Quadrennial Review of Military Compensation has recently completed their own review of full-time support programs and will be submitting their report to Congress. This review has no recommendations that we should change our present review process.

At the present time the Investigative Staff of the House Armed Services Committee is also conducting a review of full-time support programs among the Reserve components.

In view of the above actions, I do not believe that the few remaining issues are of a magnitude to require further comprehensive review of the type you mention. My office will continue to review all Reserve component full-time support programs on an annual basis to ensure consistency with overall Reserve component force structuring actions and the guidance on full-time support received from the Congressional committee.

PAY RAISE REALLOCATION

Senator GLENN. Mr. Green, last week the Committee on Armed Services received proposed legislation from the Department of Defense to carry out the administration's request for a 4.3 percent pay raise for military personnel. The legislation would also provide the President discretionary authority to allocate the 4.3 percent raise in Basic Allowance for Quarters that would accompany a 4.3 percent raise in basic pay among the grades in other than an equal percentage basis.

Since BAQ is supposed to be set at 65 percent of national median housing cost but has actually eroded to about 60 percent of national median housing cost, do you intend to correct this by reallocating some of the basic pay raise into BAQ?

Why haven't you attempted to correct this BAQ shortfall in this amended budget submission—especially since Secretary Carlucci claimed adequate personnel compensation as his top priority?

Mr. GREEN. No, we would not reallocate any of the basic pay raise into BAQ. Reallocating basic pay into BAQ penalizes military members living in government quarters, who do not receive BAQ. Further, it would penalize military members overseas living in civilian communities because their overseas housing allowance (OHA) would be reduced by the increase in BAQ. With military pay raises 11 percent behind private sector increases since fiscal year 1982, we do not believe shortfalls in compensation—in this case BAQ—should be made up by shifting money from one group of military members to another. They all deserve the pay raise.

Our reasons for requesting discretionary authority to allocate the BAQ increase need to be clarified:

When BAQ rates were restructured by the Congress in 1985, they were set such that the rates for each grade were 65 percent of the national median housing expenses of that grade. Since that time, BAQ rates have fallen below that standard for all paygrades except E-1. Further, BAQ as a percentage of housing costs varies by paygrade, ranging from 52 percent for commissioned officers in grade O-1 with 4 or more years prior enlisted or warrant officer service to 68 percent for paygrade E-1. The reallocation authority would enable us to adjust the BAQ rates such that they are again the same percentage of each paygrade's housing expenses.

The other reason why we will spread the overall 4.3 percent increase in BAQ differentially is that the restructuring of rates did not correct two problems that should be fixed.

The With Department BAQ rate is identical for paygrades E-1, E-2, and E-3. Separate rates should be established for each of these paygrades on the same basis as that for all the other paygrades; i.e., as a percentage of that paygrade's national median housing costs.

Commissioned officers in paygrades O-1, O-2, and O-3 with 4 or more years prior enlisted or warrant officer service receive the same BAQ rates as their counterpart officers without this prior service, although their housing expenses are much greater (they tend to be older with larger families and thus spend more for housing). Separate BAQ rates should be established for the officers with prior enlisted or warrant officer service.

It is emphasized that the reallocation would not shift any part of the raise from one compensation component to another. The increase in basic pay, BAQ, and BAS would each remain at 4.3 percent.

ARMY MORALE WELFARE AND RECREATION (MWR)

Senator GLENN. Would you please tell us what actions the Army has taken to date to implement the recommendations of the Orkand Study?

General ONO. The Army agreed in principle with many of the findings of Orkand, including the need to adopt new, more businesslike principles to guide MWR operations. The principles that follow were established by the Army's 4-star commanders following their review of the Orkand Study.

MWR is a quality of life program directly linked to readiness.

MWR must meet the needs of units, soldiers, and families.

MWR programs are tiered based on readiness impact with the top tier programs receiving maximum appropriated funds (APF) and bottom tier programs being self-sustaining.

Nonappropriated fund (NAF) dollars belong to soldiers and their families.

MWR programs should be sustained on a long range basis.

MWR supports recruiting and retention.

The Army agreed with the majority of Orkand recommendations relating to the improvement of subsystems supporting MWR management and operations. Many initiatives and actions to improve the support structure have been undertaken or strengthened as a result of the MWR study:

Marketing: The Army agrees with incorporating a market-oriented view of MWR to respond to the needs of soldiers, families and communities as consumers of goods. We are establishing a marketing program to consider all MWR and community support programs at the installation. This program will provide detailed installation market studies with resulting market data, a strategic marketing and business plan and a recommended five year construction plan.

Construction: Major improvements have occurred in the NAF Construction Program, many addressing specific Orkand recommendations. Programming and construction time have been reduced to 2½ years. This has been accomplished by use of expedited design initiation (Code 1) procedures and the establishment of a Board to review and approve the Army's NAF projects. Other improvements include:

Packaging of projects for conducting market analysis and the use of commercial firms to provide the Army modern marketing analyses and the latest private sector techniques.

All project justifications now include market and financial analyses to enhance the review/approval process.

Investigating increased third-party contracting.

Procurement: Great progress has been made on each of the five Orkand recommendations. NAF contracting authority has been established with the publication of AR 215-4, relieving MWR activities of restrictive APF procurement rules. Steps have been taken to institute a cost effective materials management system that will standardize the types of contract actions according to standard specifications and purchase lists. The establishment of contracting courses/seminars, an intern program and development of career plans has strengthened procurement staffs. These and other training enhancements are key to implementing study recommendations.

Personnel/Training: Many actions have been taken to improve the personnel system. Both NAF and APF referral and associated employee training programs have been merged to establish a Human Resources Directorate in the Community and Family Support Center. A NAF Management Intern Program (115 currently on board) is in place; NAF personnel policies have been changed to allow more flexibility and management initiative; benefit and central referral programs are being improved to enhance professionalism and foster mobility within the NAF work force. We are currently conducting a test in Europe of a business oriented personnel system that provides managers increased authority in hiring, firing and setting pay based on performance measures. We anticipate that this test will produce a personnel program that can be used in all revenue generating activities to replace the rigid system that currently exists.

The Army is making major progress in training the work force. All training is being viewed with a strong requirement for business oriented training to complement professional growth and development from entry level through managerial positions. A master training program is now available to provide necessary business related skills for every new manager who enters employment with Army MWR activities. This training is supplemented, primarily through contract, with training for key income producing activity managerial positions. For example, a course for Army Club Managers is available through the Conrad Hilton School of Hotel and Restaurant Management and a course for Army Golf Course Managers is offered through contract with the Professional Golfers Association of America. These efforts are being funded consistent with the employment categories of personnel receiving the training as befits the DOD funding guidance.

Information Management: The Army agrees with the need to establish an integrated accounting and management information system for MWR. We are proceeding with the development of a rapid prototype (at an Army installation) that will provide automated solutions for MWR activities. This concept will provide activity specific information linked through a central installation MWR database to major command and HQDA systems.

Orkand's analysis of various organizational models was reviewed in detail by the Army leadership. We have decided to proceed with an evolutionary course under the present organizational structure which manages all categories of MWR activities, mission essential through business. The Army recognizes the importance of continuing command involvement in MWR management and expanding an already strong partnership with the AAFES in the operation of business activities and new initiatives.

This direction, which requires significant change, complies with the congressional concerns of minimizing APF support to revenue generating activities and improving our business orientation. We are proceeding aggressively to implement OSD guidance on recategorization of MWR activities, eliminate direct APF support to business activities and improve supporting subsystems. Increasing NAF revenues and determining the programs and services necessary to meet modern soldier/family needs are major challenges we have accepted.

Another major feature of this plan is to review each Category D (Business) activity under direction of the Community and Family Program Review Committee (CFRC). Using the Orkand study and other relevant data, the committee will recommend whether each activity should be operated by AAFES, contract (privatization) or installation. We will continue to foster an active partnership with AAFES, transferring activities and exploring new initiatives whenever it makes sense.

Senator GLENN. What activities have been reviewed for incorporation within the AAFES organization? What is the criteria for incorporation? Who determines what is incorporated? Why haven't any activities been transferred since Orkand completed its report six months ago?

General ONO. The following activities have been reviewed for AAFES operation:

Installation commanders are currently reviewing stand-alone snack bars and bowling center snack bars for transfer to AAFES. To date, 44 installations have transferred these business activities to AAFES for operation.

In two instances installation agreements have been made with AAFES for the operation of Community and Enlisted Clubs. Due to unique local circumstances, the Community Club in Munich, Germany is under AAFES management and AAFES will operate two Enlisted Clubs at Fort Drum, NY as part of brigade activity center malls.

Headquarters, U.S. Army Europe is in the process of transferring management of selected Audio-Photo activities to AAFES. AAFES currently operates seven of the twenty Audio clubs and it is anticipated that five more clubs will be transferred within the next 30-60 days.

The Army and Air Force are currently negotiating with AAFES to transfer management and operational control of all package beverage stores worldwide—target for implementation is 1 Oct 88.

AAFES manages and shares profits associated with the pay telephone operations located on Army installations.

There are four primary criteria for incorporation of an MWR activity to AAFES management:

Earnings potential for the Army/installation.

Level of service to the customer.

Capability of AAFES to provide the program/service.

Reasonable cost to the customer.

Several activities, as noted above, either have or will be transferred to AAFES. In addition, other Category D business activities will be reviewed by the CFRC for potential transfer to AAFES or management under private sector contract. These activities include bowling center operations, cabins, cottages and cabanas, skating rinks, parachute and aero clubs, skeet and trap ranges, and riding stables. The recommended operation of these activities will be presented to the Chief of Staff for a final decision.

Negotiations for the transfer of Package Stores are in progress. This business is a significant money making MWR activity, hence the AAFES proposal has been reviewed carefully by the major commands and Army staff to insure that no undue financial impact is suffered by installations over the short or long term. At this time the Army and Air Force are jointly pursuing transfer under the AAFES proposal to maximize earnings for AAFES and installations.

The Army is complying with the House Armed Services Committee directive to heighten management of AFRC-Europe activity. Representatives are in Europe now implementing the transfer of the AFRC activity from USAREUR to DA control similar to management of the Hale Koa hotel.

On a test basis, the Army has established a contract with a private firm to provide unofficial commercial travel services (Category D activity) in the central region of the United States. Pending outcome of this initiative, other contracts may be solicited and awarded on a regional basis.

Senator GLENN. Given the documented appropriated fund savings Orkand identified which the Army Audit Agency verified, and the proven capabilities of AAFES, what arguments exist for not transferring MWR revenue generating activities to AAFES?

General ONO. The following arguments exist for not transferring activities to AAFES:

Extends AAFES management expertise beyond retail business activities.

AAFES may be reluctant to accept certain revenue generating activities (i.e. aero clubs, skating rinks, skeet and trap).

Reduces command involvement.

Loss of balanced program management and mutual support of MWR activities at installations.

Many Army commanders have had unsatisfactory experiences with AAFES in previous agreements either from an earnings or customer service aspect.

Assuming AAFES can continue profitable operations and sustain customer satisfaction, the Army has no objection to the transfer of business activities.

NUCLEAR OFFICER SHORTAGE

Senator GLENN. Admiral Edney, do you think we will ever be able to man the Navy's "requirements" for these officers? Has the Navy done a detailed review of its requirements—who is filling the billets for which there are shortages? How much is our readiness reduced by manning these billets in this manner?

Admiral EDNEY. The shortage of nuclear officers is a significant problem, which the Navy is working hard to correct. This problem has been with us for many years and will not be quickly resolved. With the strong support of the Congress in approving special pays and incentives, we have been able to minimize the impact of this shortage on fleet manning and readiness.

Submarine Officers

The submarine community currently has a 28 percent shortage of senior, nuclear trained officers in the ranks of Lieutenant Commander (O–4) through Captain (O–6). This problem is a result of the low nuclear submarine officer accessions and retention in the late 1960s and 1970s when these officers started their career.

During the mid-1980s the Navy made strong improvements in nuclear submarine officer recruiting and retention through improvements in submarine force operating tempo, increased opportunity for shore duty and post graduate education, and improved compensation in the form of enhanced Nuclear Officer Incentive Pay. In fiscal year 1983, the Navy achieved 100 percent of its submarine officer accession goal. In fiscal year 1985, nuclear submarine officer retention reached a historical high of 48 percent. When significant numbers of the officers in these year groups reach lieutenant commander in 5 to 6 years, the Navy will probably be able to reduce the 28 percent shortage of senior submarine officers. The current shortage will remain stable until that time.

However, there has been reason for additional concern in recent years. Since 1983 nuclear submarine officer accessions have dropped. In fiscal year 1988, the Navy projects it will reach 90 percent of its submarine officer accession goal. Also, submarine officer retention dropped in fiscal year 1986 to 43 percent and then to 39 percent in fiscal year 1987, the lowest figure in 5 years. When the Navy recognized this trend in fiscal year 1986, we took corrective action by requesting a 35 percent increase in submarine pay, which Congress approved in the fiscal year 1988 DOD Authorization Act. Additionally, the Secretary of the Navy approved raising Nuclear Officer Continuation Pay from $9K to $10K per year (authorized ceiling in law is $12K). While it is too early to accurately predict the impact of these changes on submarine officer retention, based on data collected so far this fiscal year, it appears that the desired effect was realized and fiscal year 1988 retention will be 43 to 45 percent. This still is short of the 55 percent goal. The Navy will continue to monitor this situation closely.

Surface Community

A shortage also exists for surface (nuclear) officers. Because of career path and community differences the shortage of surface (nuclear) officers manifests itself as a shortage at the lieutenant commander level. This is the surface (nuclear) officer career path chokepoint. For example, in surface (nuclear) officer year groups 1980 and 1981 there are about 50 percent of the officers needed to support the approved career path.

This shortage exists for reasons similar to the submarine community shortage, e.g. lower than desired retention and officer accession during the 1970s. During the mid-1980s strong improvements were also made in surface (nuclear) accessions and retention, which provides reason to believe that future year groups will contain sufficient officers to support the community career path without extending personnel at sea.

However, this community also faces a significant challenge in the 1990s because a large portion of the nuclear powered surface fleet is scheduled for a major shipyard overhaul, including reactor core refueling. Historically, refueling overhauls have had an adverse impact on nuclear officer retention. For example, of the 35 junior officers assigned to the USS Enterprise (CVN-65) in 1980 through 1983 when she was last in overhaul, only 2 officers remained in the Navy. The Navy's top leadership is aware of this potential manning problem and is studying several options to minimize the impact of these overhauls on surface (nuclear) officer retention.

Requirements and Readiness

The submarine and surface (nuclear) officer shortages have not impacted fleet readiness. The nuclear officer communities have always manned the fleet with officers of the correct seniority and qualification. Additionally, the Navy has carefully reviewed its requirements for all officer communities in the recent manpower study conducted by OSD. The results of that study were forwarded to the Congress. The requirements for nuclear trained officers are legitimate. The Navy copes with the shortage of nuclear trained officers by extending officers at sea for longer than desired tours; by using lesser experienced officers in some shore jobs; and when faced with no other alternatives, by temporarily gapping a billet unit a suitable replacement is available.

Questions Submitted by Senator Edward M. Kennedy

ADEQUACY OF HOUSING ALLOWANCES

Senator **Kennedy**. Are the current housing allowances adequate to meet soldiers needs? Do these allowances achieve the program design of limiting soldiers out of pocket expenses to 85 percent of his or her housing costs?

Mr. **Green**. No, current housing allowance levels require that Service members absorb, on average, 21.7 percent of their housing expenses. The program, as modified in 1985, intended that Service members' out of pocket expenses would be limited to 15 percent of national median housing costs for their pay grade. Housing allowances were supposed to cover the other 85 percent.

RESTORATION OF HOUSING ALLOWANCES

Senator **Kennedy**. What can be done to restore housing allowances to their intended program objectives?

Mr. **Green**. Housing allowances have fallen below intended program objectives because increases in both the basic allowance for quarters (BAQ) and the variable housing allowance (VHA) have not kept pace with housing cost growth. BAQ increases, which are part of the annual pay raise, have fallen behind because of caps on the military pay raise. VHA increases, which are related under law to housing costs growth, have fallen behind because the Congress froze the rates in fiscal year 1987 and froze funding in fiscal year 1988, thus essentially denying an increase in rates since fiscal year 1986. In the long run, the allowances can be restored through BAQ increases that exceed housing cost growth and VHA increases that make up for the actions taken in fiscal year 1987 and fiscal year 1988. In fiscal year 1989, we have taken a step in that direction. The BAQ increase of 4.3 percent exceeds projected housing cost growth of 3.4 percent and thus will reduce somewhat the shortfall in BAQ. We have also requested a 3.4 percent increase in VHA that matches housing cost growth. While not making up any of the VHA shortfall, it will prevent it from getting larger.

PCS REIMBURSEMENT

Senator **Kennedy**. Are service members adequately reimbursed when ordered to make a permanent change of station (PCS)?

Mr. **Green**. No, Service members ordered to make permanent change of station moves incur significant out of pocket expenses for which they cannot be reimbursed. A portion of these expenses result from overweight charges for household goods shipments and the remainder are normal travel and relocation expenses for which current PCS entitlements fail to provide adequate reimbursement.

OUT OF POCKET PCS EXPENSES

Senator **Kennedy**. Mr. Green, what entitlements are required to reduce out of pocket PCS expenses to service members?

Mr. **Green**. If funding can be identified by the Department, there are two items we would choose to implement to decrease members' out-of-pocket costs for PCS moves. These items are: removal of the restriction on payment of 2 months' dislocation allowance (DLA) and implementation of increased household goods weight allowances. Provision of 2 months' DLA would more adequately reimburse members for relocation expenses. Implementation of the increased household goods weight allowances recommended in the Department's April 1987 Household Goods Weight Allowance report to Congress would reduce out-of-pocket expenses currently incurred by members because of inadequate weight allowances.

Senator **Kennedy**. General Ono, what entitlements are required to reduce out-of-pocket PCS expenses to service members?

General **Ono**. We acknowledge favorable Congressional action in removing prior restrictions on the Temporary Lodging Expense Allowance in the recent past, and the major improvements that were authorized in fiscal year 1986. Although not a part of the fiscal year 1989 President's Budget, should funding become identified within the Department, the Army would like to see the following enhancements implemented which would significantly reduce out-of-pocket expenses to service members:

A. First of all, increase Household Goods (HHG) weight allowances from 13,500 pounds to 18,000 pounds as recommended by DOD.

The fiscal year 1987 Authorization Act increased the ceiling from 13,500 pounds to 18,000 pounds but was not funded.

14 percent of our enlisted and 19 percent of our officers incurred overweight charges in fiscal year 1985/86.

Service members with dependents were assessed 96 percent of the fiscal year 1985/86 overweight charges.

Approximately 62 percent of the member monthly base pay reimbursed Government for overweight charges. For example, an E-8/O-5 with dependents, over 20 years service paid in excess of $1,000/1,700 in overweight costs respectively.

B. Second, increase Dislocation Allowance (DLA) from one to two months' basic allowance for quarters.

Since DLA was authorized in 1955 the cost of relocating a household has risen at a much faster rate than the rate of increase of one month's basic allowance for quarters.

This increase would be accomplished by a requirement for soldiers to document their expenses to avoid over reimbursement.

C. Finally, in the near future, the Army will be working toward authorization and funding of an increase in the Temporary Lodging Expense allowance (TLE) from four to ten days.

The median number of days service members spend in temporary lodgings is 12 days. Although reimbursement of four days TLE is a help it does not come close to reimbursing service members for actual costs incurred.

MILPERS FUNDING PROBLEM

Senator **Kennedy**. Is there a significant problem in the Army's MILPERS appropriation due to the decline of the dollar overseas?

Mr. **Green**. Yes, the Army's MILPERS account had a $215.7M deficit as of April 1, 1988, as a result of the decline of the dollar overseas.

Senator **Kennedy**. Is there a significant problem in the Army's MILPERS appropriation due to the decline of the dollar overseas?

General **Ono**. Yes. Since 1985, the dollar has declined substantially and required us to ask for reprograming from other appropriations. Today, the dollar is worth much less than in 1985. This has required large increases in the Overseas Station Allowances (Cost of Living Allowances, Temporary Lodging Allowances and Station Housing Allowances) which help the soldier offset the increased cost of living overseas. Our amended budget submission for fiscal year 1989 reflects the value of the dollar as of October 1986. As a result, the Overseas Station Allowances are unfunded by about $220 million.

ARMY ABILITY TO FINANCE CURRENCY FLUCTUATION

Senator **Kennedy**. Is there a way the Army can internally finance the currency fluctuation problem?

Mr. **Green**. The Army cannot fund to cover the currency fluctuation problem internal to the Army MILPERS account without drastic strength reductions. The Army could possibly reprogram procurement accounts but would then have problems staying within fiscal year 1988 outlay targets set in the budget reconciliation agreement.

Senator **Kennedy**. General Ono, is there a way the Army can internally finance the currency fluctuation problem?

General **Ono**. Not reasonably. There are two ways of financing within the Army: absorb the underfunding within the appropriation, or request reprograming from another appropriation. Either method produces catastrophic results. In order to absorb a bill of this magnitude we would have to severely underman the approved force, which would decrease readiness. Other methods require that soldiers "pay the bill" through promotion slowdowns or freezes or involuntary early releases. Reprograming from other Army appropriations diminishes other needed and congressionally approved programs.

CURRENCY FLUCTUATION SOLUTION

Senator **Kennedy**. Mr. Green, is there anything that we can do to solve currency fluctuation problems?

Mr. **Green**. Yes, favorable action on Senator Nickles' proposal to allow Military Personnel Appropriation participation in the Foreign Currency Fluctuation, Defense (FCFD) account would provide the Department with a system for funding to cover currency fluctuations within the MILPERS account in the future.

Senator **Kennedy**. General Ono, is there anything that we can do to solve currency fluctuation problems?

General **Ono**. Yes. The permanent solution would be to include MILPERS in the Foreign Currency Fluctuation account. By inclusion of the MILPERS appropriations, and an initial capitalization, the Congress can help alleviate the programatic problems caused by absorption of the costs. As you are aware, the purpose of a foreign currency fluctuation fund is to eliminate losses in operating capability from currency fluctuation as well as eliminating increasing appropriations through gains received from favorable rate changes.

Questions Submitted by Senator Pete Wilson

PAY RAISE

Senator **Wilson**. Mr. Green, in my opening statement, I reiterated my belief that authorization and appropriation of the full 4.3 percent pay raise for military personnel, as requested by the President, is the most important thing Congress can do this year to avoid serious retention problems in the future.

Yet, already we see the beginnings of lack of congressional support for that pay raise in the Budget Resolution reported by the House Budget Committee last Friday, in which it is assumed the military pay raise will be reduced from 4.3 percent to 3 percent and the civilian pay raise will be increased from the requested 2 percent to 3 percent. Furthermore, that resolution assumes that the Department will be asked to absorb 50 percent of both the civilian and military raise. While the Budget Resolution's assumptions on pay raises are not binding on this or the Appropriations Committee, even when the Resolution is agreed to by both Houses, it certainly sets the stage for tinkering with the pay raise.

As the DOD official responsible for both military and civilian personnel management, do you believe there is any basis in fact for requiring that military and civilian pay raises be identical this year?

Mr. **Green**. The Department of Defense is not the principal advisor to the President on civilian pay raises. The decision on the civilian pay raise is made by the President after consideration of advice from various sources, principally his Pay Agent—the Director of OPM, the Director of OMB, and the Secretary of Labor—but including all Government Departments and various outside advisors, such as the Advisory Committee on Federal Pay.

We believe that it is proper to differentiate between military and civilian pay raises because:

Each has its own personnel system and conditions of employment, and therefore each requires a compensation system, including determination of pay raises, that is specifically tailored to meet each one's requirements.

Military pay scales are set to attract and retain personnel necessary to man the military forces. Salaries paid to Federal civilians have no relevance to the recruitment, retention, and management of Armed Forces personnel.

Military members face conditions of service not normally found in Federal civilian employment, such as frequent moves and family separations, long and arduous duty without overtime pay, and potential and actual exposure to combat; e.g., duty in the Persian Gulf and in Grenada.

We recommended, and the President supported, a military pay raise of 4.3 percent because we did not want military pay to fall further behind private sector pay and jeopardize our ability to compete for the skilled and dedicated people we need in the Armed Forces.

MILITARY PAY RAISE EFFECT ON CIVILIAN EMPLOYEES

Senator Wilson. Are you experiencing any recruiting or retention difficulites in DOD's civilan workforce?

Mr. Green. The Department is generally able to recruit and retain the civilian employees necessary to meet its needs. We have experienced some difficulty, however, in competing in certain key disciplines and for individuals who have highly desirable specialized skills or training. The job categories primarily affected include engineering, health care delivery, and computer science. Another category for which we have begun to experience some problems is the clerical group in major metropolitan areas.

PAY RAISE

Senator Wilson. What would the effect be on military personnel if Congress reduced the military pay raise for the seventh year in a row?

Mr. Green. The gap between military and private sector pay increases since competitive pay was restored in fiscal year 1982 is currently 11 percent, the largest pay gap since the beginning of all-volunteer force. Reducing the pay raise below 4.3 percent would widen that gap, and we could expect this to have a negative effect on recruiting and retention. Warning signs of future problems are already beginning to appear, such as a decline in the quality of applicants for military service and lower retention of members in higher-technology skills.

Senator Wilson. What reductions would have to be made in manpower programs if only 50 percent of any military pay raise was funded and the Department was required to absorb the remaining 50 percent?

Mr. Green. If the Department were required to absorb 50 percent of the 4.3 percent military pay raise in fiscal year 1989, programs in the military personnel appropriations would have to be reduced by $1.1 billion. Since discretionary programs represent only about 6 percent of the military personnel appropriations, and these programs have already been cut to the minimum essential, any pay raise absorption would have to come from reduced end strengths. The military personnel accounts are already reducing end strengths by 36,000 between fiscal year 1987 and fiscal year 1989. If not accomplished by the beginning of fiscal year 1989, end strength reductions would have to double, to 74,800, to save the $1.1 billion.

NUCLEAR OFFICER SHORTAGE

Senator Wilson. Admiral Edney, for the fifth or sixth year in the row, the Navy describes its shortage of experienced nuclear trained officers as one of its most serious officer manning problems. Presently, there is a 28 percent shortage against requirements.

I believe the Congress has authorized every compensation program sought by the Navy for nuclear qualified officers and continues to authorize the use of spot promotions for only these officers.

Are we ever going to be able to "buy" this type of officer or must we start looking for non-monetary incentives to retain these people?

Admiral Edney. The primary monetary program for recruiting and retaining nuclear trained officers is Nuclear Officer Incentive Pay. This pay provides both an accession bonus for new officers accepted for the nuclear propulsion program and a career-long incentive pay for officers who remain in the Navy beyond their minimum service obligation. Within the submarine community, Submarine Pay provides an additional incentive for selecting a Naval career. The Navy will continue to use these incentive pays to minimize recruiting and retention shortfalls, and will seek adjustments to the current values if appropriate. It is important that the Navy remain competitive with the wages one of these highly skilled officers can reasonably expect to earn if he sought employment in the civilian sector.

In fiscal year 1988, Congress additionally provided authority to continue the SPOT promotion program, which the Navy uses not only for nuclear trained officers, but also in other communities where a critical shortage exists for officers with certain engineering skills.

Both the submarine and surface (nuclear) warfare communities recognize that these programs alone will not correct the nuclear officer shortages. Both communities have instituted career path changes where possible to increase the opportunity for shore duty and post graduate school. The Fleet Commanders are also fully briefed and aggressively support the CNO's policy on ship operational tempo and deployments.

PILOT RETENTION PROGRAMS

Senator WILSON. Admiral Edney, in your statement you indicate the Navy desires to be part of any Aviation Continuation Pay program which is authorized and if that program is not authorized, then the Navy needs an increase in the funding for the Aviation Officer Continuation Bonus. Yet, as I understand the Navy budget submission, funds for neither the Aviation Continuation Pay program nor for an increase in AOCP are included.

Am I correct, and if so, why are these increases not funded in the Navy budget?

Admiral EDNEY. You are correct. The Navy budget submission has no additional funding for Aviator Continuation Pay (ACP) or AOCP. There is currently $17.13M in the fiscal year 1989 budget for AOCP. The additional cost of ACP or an increased AOCP funding will be reprogrammed within Navy.

ENLISTED PROMOTIONS

Senator WILSON. In your formal statement, you delineate the problems the Air Force is experiencing in the area of enlisted promotions. This is one of those problems which arises when Congress refuses to pay for the existing force structure and is the kind of problem which can lead to the conditions of the late 1970's—our most qualified and experienced personnel just get fed up and leave active duty. Would you describe the problem, how we got there, and what needs to be done to "fix" it?

General HICKEY. Maintaining an environment in the Air Force which fosters high productivity in our enlisted force is a high priority of senior leadership. One of the most important aspects of such an environment is the opportunity provided to our NCO's for advancement. When there are significant reductions in force size or funding levels, or arbitrary promotion caps applied to the force through budgetary actions, flows of promotions are affected. Selection opportunities decline; monthly pin-on numbers shrink. In fiscal year 1987, when an appropriation bill capped grades after annual selections had been made, promotion lists took longer than a year to exhaust and selection rates the following year were sharply diminished. Those individuals with ambition, drive, and enthusiasm view this lowered promotion opportunity as a roadblock to achieving increased responsibility. Generally, this affects our best—those we most want to keep. Individuals must believe their efforts in defense of our country are appreciated. If not, they will find alternate ways to earn their living—as they did in the late 1970s.

During periods of large reductions in the total force size, as we are experiencing in fiscal years 1988 and 1989, the career force increases in proportion to the first-term force, because strength reductions are taken largely through lower accession levels and early separation of first-term airmen. The size of the career force is largely unaffected. This is due to a higher propensity of career force members to remain on active duty and our commitment to avoid involuntary separation for those who have served faithfully and well over longer periods of time. In order to stabilize promotion flows in the NCO grades, NCO grade strengths must also remain largely unaffected in the short run. Since total strength is declining, NCO strengths as a percentage of the total must rise slightly; however, actual numbers need not increase. In fact we have programmed decreasing numbers in our top five NCO grades in fiscal year 1989 and fiscal year 1990—decreases to the levels we feel provide the minimum acceptable promotion opportunity. As the force size stabilizes, NCO grades as a percent to total force can also begin to stabilize. Stable and predictable promotion flows assist us in maintaining our most talented people during this period of force turmoil.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

Senator **Wilson**. (1) Am I correct that there are no funds in the budget for improving weight allowances, and (2) if so, how much importance should we give this issue if the Services will not budget for improvements?

General **Hickey**. You are correct that no funds are in the current budget for improving weight allowances. In fiscal year 1986, the Department of Defense (DOD) requested Household Good (HHG) weight allowances be increased to offset out-of-pocket cost to Service members resulting from overweight charges. The increase was not funded. The General Accounting Office (GAO) and DOD were directed to report on this issue. GAO's report indicated that some service members were shipping household goods in excess of prescribed ceilings, but found data insufficient for establishing new weight allowances. The DOD report recommended separate allowances for service members with and without dependents and increases for service members with dependents only. These increases were not funded. Section 651 of the Report of the Committee on Armed Services, U.S. House of Representatives, on the National Defense Authorization Act for fiscal year 1987, required DOD to submit a plan to Congress to restructure HHG weight allowances for service members. The report was submitted on April 28, 1987. The report verified our previous findings. Service members and their families absorb significant out-of-pocket expenses as a result of current HHG ceilings. Fair, realistic weight allowances cannot be funded within existing resources. The report recommends that in fiscal year 1990 Congress fund HHG ceilings which meet 95 percent of the shipment weight needs of service members. The Air Force fully supports any improvements to ease the burden on members that are directed to move in the interest of national security.

PILOT RETENTION

Senator **Wilson**. First, am I correct that there is a significant difference in retention rates among various aircraft communities, and if so, why?

General **Hickey**. The Air Force does have a variance in retention rates by weapon system group. These differences are reflected in both the cumulative retention rates and in the many years of service after training. The following shows the ten year averages for each of these retention measurement factors:

6-11	Fighter	Bomber	Tanker	Strat airlift	Tac airlift	Helo	Trainer	Average
CCR	63.4	61.9	51.1	45.7	54.8	70.6	44.8	55.8
TARS*	13.54	13.26	12.04	11.58	12.42	14.57	11.04	12.63

*TARS (Total Active Rated Service) equals manyears after training.

A number of factors contribute to these differences. Historically, the weapon system areas with similar missions and equipment to the airlines (strategic airlift: C-141, C-5, etc. and tankers: KC-135) have had lower than average retention.

At the other end of the retention spectrum, the fighter and bomber groups have had retention rates above the average. Pilots flying these systems may have a higher identification and desire to continue performing their unique combat roles. In both cases it is impossible to find comparable flying experience in the civilian sector.

The trainer and helicopter groups are both relatively small and have unique characteristics. Within the trainer group, pilots that serve a first assignment as an instructor pilot in training command and then turn down follow-on major weapon system training are counted as trainer losses. Loss of these pilots may be based upon not receiving their first choice of assignment or may be due to reluctance to accept additional service commitments associated with training. In the helicopter area, the unit structure, mission, and reduced airline draw contribute to the higher than normal retention rates.

While historical differences exist in weapons system retention, the trends in all areas show the adverse impacts of today's retention environment. A review of historical trends reflect the universal nature of the Air Force retention problem:

	Fighter	Bomber	Tanker	Strat airlift	Tac airlift	Helo	Trainer	Average
Fiscal year 1983	80.2	76.1	75.6	73.2	82.4	82.1	64.9	77.6
Fiscal year 1984	79.1	78.7	74.0	63.2	71.1	67.8	45.7	71.9
Fiscal year 1985	68.2	71.9	55.5	41.4	53.2	80.6	35.8	58.6
Fiscal year 1986	63.3	51.2	50.4	40.9	51.9	81.6	66.0	55.6
Fiscal year 1987	55.1	58.5	36.3	31.5	46.4	69.4	40.0	47.9

The key factor is not the variance between weapons systems but the fact that all weapons systems have experienced declining retention rates since fiscal year 1983 and all except helicopters have rates below that which is required to sustain the inventory to meet requirements.

Senator WILSON. Second, is the Air Force prepared to target any retention incentive program to only those communities experiencing shortages, and if not, why not?

General HICKEY. The Air Force plans to target Aviator Continuation Pay (ACP) to the retention critical areas of our aviator force. Only fixed wing pilots (no helicopter pilots and no navigators) between their 8th and 13th year of service will be eligible for ACP contracts in exchange for an obligation to serve through 14 years. These eligibility criteria are much more restrictive than the legislation guidelines and will limit the eligible population to less than 20 percent of Air Force aviators.

PILOT ADDITIONAL DUTIES

Senator WILSON. One of the biggest complaints we hear from Air Force pilots is about the non-flying duties they have to perform. Are these complaints valid? (If not, then why does Air Training Command, where there are few family separations and where there are stable work schedules, experiencing such high pilot losses?) How will increasing pilot compensation overcome these complaints? What is being done to overcome these complaints?

General HICKEY. Pilot surveys indicate non-flying additional duties continue to be an area of dissatisfaction with Air Force pilots. The Air Training Command (ATC) mission requires an intense, demanding work schedule for pilots. The high number of ATC pilot losses reflects the repetitive nature of the flying mission profiles, long duty days and non-flying additional duties. Major commands are aggressively working the non-flying additional duty complaints by implementing squadron adjutant programs wherein nonrated officers perform many of the duties. Commands are reviewing and "scrubbing" the additional duty requirements, and restricting non-flying additional duties assigned to pilots. The performance of primary duties is being given additional emphasis by senior Air Force leadership in two visible programs—the redirection of officer professional development and the Revised Officer Evaluation System. To counter the low retention rates the Air Force is now experiencing, the issues of non-flying additional duties and pilot compensation must be properly addressed to reduce two major attractions of the commerical airlines—predictable, shorter work schedules and higher pay.

AIR FORCE NAVIGATOR RETENTION

Senator WILSON. Air Force navigators must perform all the same non-flying duties as pilots, I presume. If that is so, why aren't navigators leaving the service?

General HICKEY. Air Force navigators are required to perform many of the same non-flying duties as pilots. Navigator job satisfaction is very high. Challenging flying, strong mission identity and no comparable civilian job alternative have kept navigator retention stable. Commercial flying opportunities are very, very limited for navigators, and when combined with strong desire by most "navs" to maintain an "aviator" identity—the result is high retention rates.

PILOT CROSSFLOW

Senator WILSON. How often does the Air Force cross-train pilots from say strategic bomber qualified to tactical fighter qualified, or from transport plane qualified to strategic bomber? Could more cross-training alleviate shortages in specific weapons systems?

General HICKEY.

PILOT WEAPON SYSTEM CROSSFLOW

[Average per year, last 8 years]

	Destination weapon system					
	Bomber	Fighter	Helo	Strat Air	Tac Air	Tanker
Bomber	N/A	5	0	2	1	7
Fighter	4	N/A	1	1	1	3
Helo	1	0	N/A	1	1	2
Strat Air	0	0	1	N/A	5	4
Tac Air	0	1	0	8	N/A	1
Tanker	7	2	0	4	1	N/A

As the above chart shows, very little crossflow has occurred between the weapon systems over the past several years. In our limited training environment, cost has become a driving factor. The direct costs of double training a pilot (such as bomber then fighter training) are prohibitive in peace time. More importantly, there are also indirect costs associated with double training. With constrained training, only a fixed number of pilots can be trained in a weapon system each year. Therefore, every pilot that is cross-trained, means one less new pilot can be absorbed from pilot training.

The forecast pilot shortfall will be felt in the pilot generalist positions (ATC instructor pilot, joint duty) in which any pilot can be placed. Crossflowing a pilot from one weapons system to another does not aid us in manning a generalist position.

AVIATION CAREER INCENTIVE PAY

Senator WILSON. How many officers today are receiving Aviation Career Incentive Pay? If the Air Force were to be fully mobilized today, how many pilots would the Air Force have in its inventory (i.e., both active duty and mobilized reserves)? How many total airframes would there then be in the Air Force inventory?

General HICKEY. The following table displays the numbers of Air Force officers drawing ACIP by component and aeronautical status:

	Active	Reserve	Guard	Totals
Pilots	24,533	2,954	3,878	31,365
Navigators	10,094	629	1,394	12,117
Flight Surgeons	529	180	252	961
UPT students	1,641	44	130	1,815
UNT students	466	13	40	519
Totals	37,263	3,820	5,694	46,777

Based upon our latest estimates for fiscal year 1988 pilot inventories, the total Air Force pilot inventory will have 29,991 pilots in the grades of Lt to Ltc including: 22,895/Active; 4,151/Guard; and 2,945/Air Force Reserves.

At the close of fiscal year 1987 the Total Aircraft Inventory (TAI) included 9,412 airframes: 7,178/Active; 502/Reserves; and 1,732/Guard.

EXISTING CONVENTIONAL FORCE STRUCTURE

Senator WILSON. Mr. Duncan, I have been concerned for some time and am even more concerned now that we are reducing our Active force without a clear understanding of the capability of the Reserves to perform certain missions. Sometimes, it appears we may be increasing our Reserves just so we can feel better about bad decisions we have to make about our Active force size.

Would you comment about the analysis, including capability analysis, used to justify increased Reserve strength?

Mr. DUNCAN. Since I assumed office I have had a particular interest in the decision-making process through which each of the services and the Department of Defense arrives at the appropriate mix of Active duty and Reserve forces. As budgetary constraints limit our flexibility, it becomes increasingly important that we make balanced judgments about the most cost-effective employment of National Guard and Reserve forces.

Our existing conventional force structure is determined generally by first analyzing the requirements of Commanders in Chief (CINCs) to fulfill their major operational plan responsibilities. The difference between CINC's force structure requirements and the force structure that is in this budget is based on the degree or level of risk that we are willing to assume. The resource constraints force us to accept a smaller force structure in order to achieve and preserve required levels of readiness and sustainability. Some missions can be very effectively assumed by the reserve components.

I am currently working with the Assistant Secretary of Defense for Force Management and Personnel and the Director of Program Analysis and Evaluation in a comprehensive review of the force mix decision process of each of the services. I fully expect that the results of our efforts will be reflected in next year's budget.

ACTIVE/RESERVE MIX

Senator WILSON. Mr. Duncan, I have been concerned for some time and am even more concerned now that we are reducing our Active force structure, that we are adding to our Reserve force structure without a clear understanding of the capability of the Reserves to perform certain missions. Sometimes, it appears we may be increasing our Reserves just so we can feel better about bad decisions we have to make about our Active force size. Would you comment about the analysis, including capability analysis, used to justify increased Reserve strength?

Would you describe the manner in which your office and the Office of Assistant Secretary for Force Management and Personnel handle questions of Active/Reserve force mix. How are disputes between the offices on these issues handled?

I am also concerned that we in Congress may get a "false sense of security" based upon our increasing Reserve force size. Will you assure us that you inform us if we go too far in our reliance on the Reserves? Have we gone too far already?

Do any of the service witnesses have comments on these issues?

Mr. DUNCAN. It is not particularly useful, in my judgment, to discuss in such broad terms, the question which you pose, i.e., whether or not we have gone too far in our reliance upon Reserve Forces. The answer to the question depends upon what particular mission and what specific units are under discussion.

As a general proposition, I do not believe that we have gone too far and that there are several additional missions and responsibilities that can be assumed by National Guard and Reserve units. There is an important caveat, however. If we ask Guard and Reserve units to assume new missions, we also have to ensure that we give them the tools to do the job, i.e., sufficient training and equipment. We also have to continue to search for the right balance of Reserve and Active Forces and there are some Reserve units that already have all of the responsibility they can assume.

We face sufficient challenges on force mix and manpower issues. I can assure you, Senator, that this is a subject of high priority for me.

AIR FORCE

General SCHEER. The Air Force Reserve does not determine the Active/Reserve force mix. The Air Force Reserve does, however, provide information regarding our ability to take on new missions and/or increase our level of participation in mission areas already assigned to the Air Force Reserve when requested to do so. The Air Force Reserve does not seek new missions, but it does stand ready to evaluate new mission area proposals. When evaluating these proposals, the overriding consideration is whether or not the Air Force Reserve can perform the mission less expensively and with no loss of combat capability. All current Air Force Reserve missions meet this criteria.

Not all missions are suitable for Reserve participation and the Air Force Reserve has recommended that some missions proposed for transfer to the Reserve components be retained in the Active component. We have not gone too far in our reliance on the Air Force Reserve.

MARINE CORPS

General MOORE. The Marine Corps Reserve establishes new Reserve units through a deliberate planning process. Each new unit is designed to augment or reinforce Active component operating forces. During mobilization, these units would join the Active component as additional combat power. Only Reserve units that support the total force concept should be established. For example, the 4th Marine Division has increased its structure by adding a Light Armored Vehicle (LAV) Battalion. This LAV Battalion will provide additional mobility and maneuverability to the Active component upon mobilization. In the 4th Marine Air Wing the Marine Corps Reserve will add, this year, an additional AH-1J Cobra squadron and an additional KC-130T refueler squadron. These two new Reserve squadrons will provide additional firepower and sustainability to the Active Marine corps units they reinforce in time of conflict. There is no easy way to decrease Active structure and it should only be undertaken through precise and careful deliberation. Adding the best and correct structure to the Reserve is a difficult task and can only be successfully accomplished through thoughtful planning.

The Marine Corps has been careful to retain sufficient structure in the Active component to support our forward deployed forces and respond immediately to contingencies without relying on mobilization. Our Reserve component is structured to include only those units (missions) which are not required to meet our daily, normal commitments but would be needed to sustain the Active component in the event of a major contingency.

FLAG AND GENERAL OFFICERS

Senator WILSON. Mr. Duncan, as you know, we have approximately 2.1 million personnel on active duty and approximately 1.2 million personnel in the Selected Reserve.

Congress has determined that not more than 1,073 flag and general officers may be on active duty at one time to command and manage the 2.1 million person active force.

How many flag and general officer positions are presently authorized to command and supervise our 1.2 million person Reserve force? How many flag and general officers are presently serving in active status in the Reserves?

Would you provide this committee a break down by Reserve component the number of authorized flag and general officer positions and the number of flag and general officers serving in active status?

Mr. DUNCAN. The authorized strength of the Reserve components in flag and general officers in an active status, exclusive of those serving on active duty (other than for training), serving as adjutants general or assistant, and those serving with the National Guard Bureau, is 424 as provided at 10 USC 3218, 5457, 5458, 8218 and 14 USC 724.

I have provided a break down by Reserve component of the number of authorized flag and general officers and the number of flag and general officers serving in an active status provided by U.S. Code.

RESERVE COMPONENT LINE GENERAL OFFICER POSITIONS [1]

Component	Authorized	Assigned	Active duty
ARNG	92	92	3
USAR	115	115	4
Total	207	207	7
ANG	82	78	2
USAFR	75	75	3
Total	157	153	5
USNR	48	48	3
USMCR	10	10	1
USCG	2	2	0
Total	424	420	16

[1] Does not include 165 Adjutants General and Assistants serving in tenure of office positions in support of the state management of the Army and Air National Guard.

STATE MISSIONS

Senator WILSON. General Temple, in your formal statement, you make much of the fact that during the past year the National Guard played an increasing role as part of its State Mission in anti-drug operations.

I am fully supportive of this type of operation. In fact, I have been somewhat surprised by the number of officials who have called upon the President to utilize the U.S. Armed Forces to fight drugs, while the States have highly capable armed forces at their disposal to carry on that fight—namely the National Guard in its state role. The use by the National Guard in its state role also does not raise questions under the Posse Comitatus Act which prohibits the use of Federal Armed Forces to enforce civilian laws.

Just how much of this increased usage of the National Guard to fight drugs is, in fact, in the Guard's State role?

General Temple. Assuming "State role" means performing missions in a state active duty status, approximately 5-10 percent of the increased mission support is conducted in the "Guard's State role."

Senator Wilson. You note that some 375 missions were conducted against drugs involving over 1,500 personnel and almost 9,000 mandays.

How many of these mandays were paid for by the States? How many were paid for by the Federal Government? What was the total cost of these missions paid for by States? The Federal Government?

General Temple. Approximately 8,000 mandays were federally funded, with support provided incidental to previously scheduled training. The cost to the various states of executing support missions in a state status was approximately $200,000. The Federal funding for the National Guard to support drug enforcement operations, incidental to training, is estimated to be worth $4 million.

Senator Wilson. Why don't the States make greater use of the National Guard in its State role to combat drugs? Is the National Guard as well trained to perform this type of operation as are the Active Forces?

General Temple. The use of the National Guard in its State role is determined solely by the Governor of that State, acting in accordance with the State's laws. The Governor may be limited in the use of the National Guard due to budget constraints, existing laws, the political environment, the drug threat within the State, or any combination of the above.

The National Guard is as well or better trained than the Active Forces to perform these types of operations. This is because the National Guard is regularly called on to assist civil authorities to meet emergencies within the State.

RETENTION IN THE ARMY RESERVES

Senator Wilson. General Ward, I am concerned about the problem of retention in the Army Reserves.

I have been told that the Army Reserve is continuing to experience an extraordinarily high loss of trained personnel. Lack of MOS trained personnel is major readiness problem in the Army Reserve. In the past, I believed this subcommittee thought this problem was the result of insufficient training opportunities in the Army Reserve.

I now believe what is really happening is we are recruiting enough people and giving them sufficient MOS training, but them they quit.

Would you comment on this problem?

General Ward. The problem you are addressing is one of providing the soldier with meaningful training during his Inactive Duty for Training period (weekend drill).

The Army has taken action to solve this problem. Among the actions currently directed toward resolution of this problem are:

a. The Office, Deputy Chief of Staff for Operations directed Military Occupation Speciality Qualification/Retention Study. The goal of this study is to develop training strategies for skills that require long training periods which better fit Reserve component training schedules.

b. The Training and Doctrine Command's Reserve Component Training Strategy Task Force. The goal is to develop a comprehensive, coherent strategy for the training of Reserve components for the future.

c. The Office, Chief Army Reserve Sample Survey of USAR Troop Program Members. This survey will prioritize reasons why soldiers leave their unit, recommend solutions and develop a computer model which can be used for current and future planning.

This problem is further compounded by the fact that unit commanders are often overwhelmed with administrative (necessary) work to the extent that it is impossible to actively and energetically plan meaningful and absorbing training for the unit. The current Office, Chief Army Reserve initiative to establish Command Support Centers seeks to shift this workload away from the unit in favor of better training.

LOSS RATES OF PERSONNEL

Senator **Wilson**. General Ward, would you provide the committee with statistics concerning your loss rates of personnel who, when they leave the service, are fully MOS qualified for the billet they are occupying?

General **Ward**. Based on best available data for fiscal year 1987 about 70 percent of Army Reserve enlisted soldiers who left their units were duty MOS qualified.

Analysis of the "Sample Survey of USAR TPU Members" data should provide insights into reasons why these duty-MOS qualified soldiers left their units. This data will be available in September 1988.

PILOT MANNING

Senator **Wilson**. Generals Conaway and Scheer, I have heard recently that the Air Reserve components have been reporting to the Hill that there is a need for a greater number of pilot billets in the Reserves because there aren't enough billets to accommodate all the pilots leaving active duty who want to fly in the Reserves.

Quite frankly, I don't blame you for this view, but at the same time the Active Air Force says its biggest problem is keeping pilots in active duty. I believe one of the reasons pilots leave active duty is because they can go to work for the airlines for good salaries and still reap the benefits of military flying by joining the Reserves.

Since this is supposed to be a total force, would each of you tell me what your component is doing to solve the Air Force's problem of retention of pilots on active duty?

AIR NATIONAL GUARD

General **Conaway**. We are concerned about the Air Force's retention of pilots as well as maintaining the combat readiness of the Reserve forces. We support the initiatives, such as a pilot bonus, to equalize the benefits of active duty versus civilian life. However, the aircrews departing active duty represent a well trained and experienced national resource which must be preserved in a ready condition and not be allowed to revert to an inactive status and lose proficiency. While the Air National Guard has not asked the Air Force for additional pilot billets, the organizational capability and physical plant are available within the ANG to access trained pilots and keep them mission qualified. This could not occur, however, without additional resources, i.e. flying hours, full-time instructors and maintenance personnel.

AIR FORCE RESERVE

General **Scheer**. Reports that the Air Force Reserve is seeking to increase its number of pilot billets to accommodate more of the pilots leaving active duty who want to fly with us are not true. Total force mix decisions are made by the Air Force and OSD and are based on cost, capability and active force requirements. These requirements are driven by many factors including forward deployments, CONUS-to-overseas assignment ratios and contingency plans. The Air Force Reserve should not be expanded at the expense of the active Air Force, especially to solve a pilot retention shortfall; doing so would only exacerbate the problem. More Reserve cockpits would mean more of the separatees would be absorbed, but the overall result could be a loss of more pilots if the growth in the Reserve were at the expense of the active force structure. Pilots leave active duty for various reasons, one of them being to obtain an airline job. They do not leave active duty in order to obtain Air Force Reserve employment. Because of the high retention rates in the Guard and Reserve, only about one third of those pilots can be absorbed by the Reserve components on a yearly average. It would certainly be to the country's fiscal advantage to retain as many of the remaining highly trained pilots as possible on active duty.

We are able to help in active duty retention by not recruiting anyone until he or she is committed in writing to separating from active duty. We respond to inquiries by saying that there are many applicants for each position, that competition is keen and that a billet in a Reserve unit is not guaranteed. We have dispatched senior officers, who happen to be airline pilots as well, to encourage active duty pilots to remain on active duty by presenting them a more accurate picture of an airline career. Put simply, it looks more attractive than it really is. We support active duty initiatives to make the military career more attractive. We feel that the proposed bonus for pilots coupled with a revised OER, and a longer active duty service commitment go hand in hand. The correct emphasis on PME, removal of some additional duties, a greater voice in assignment policies and a renewed emphasis on leadership are additional positive steps with which we concur and believe are necessary.

QUESTIONS SUBMITTED BY SENATOR STEVEN D. SYMMS

AIR FORCE RETIREMENT TRANSITION COUNSELING PROGRAM

Senator **SYMMS**. I understand that the Air Force is beginning a program of "transition counseling" intended to help prepare retirees from the Air Force to compete for "middle management" civilian jobs. This 3-day course as I understand it includes classes on skills assessment, resumé writing, and job interviewing techniques.

With the severe budget cuts we are facing, causing inactivation of air wings, involuntary furloughing of civilians and increased user fees for recreation facilities, do you think we should be spending taxpayers' money on this type of course?

Question: What are the advantages to the Air Force and the national security of the country from such a program?

Mr. **GREEN**. Expected benefits of the Air Force program are in retention in that members who know they will receive assistance in their retirement transition might be more likely to remain in the Air Force for a career. Also, those eligible to retire at the 20-year point may be more likely to remain on active duty after the minimum retirement eligibility if they are assured that this type of assistance is available. All of the Services' programs are structured to provide basic information on benefits and entitlements for individuals separating or retiring from active duty. The enhanced programs will facilitate the implementation of involuntary separation decisions resulting from force structure or personnel reductions, or reduce the number of individuals leaving the service who apply for unemployment compensation.

AIR FORCE

General **HICKEY**. The military system forces people out (tenure restrictions, nonselections for promotion, unpalatable assignments for family reasons, etc.) during the time of life when expenditures are likely to be at their peak. After having served long and faithfully defending our way of life, we send them into a job environment for which they are totally unprepared, despite the fact that we have spent many dollars and much time developing leadership and management capabilities which can be put to good use in the corporate world. Our people simply do not know how to "package" their talents into a salable commodity. The result is underutilization, great personal frustration and often much bitterness.

Our national security in the most basic sense depends on our ability to attract and retain highly qualified people. We view this program as both a procurement tool and a retention device, since people will realize that we will not abandon them after they have given their country the best years of their life. Furthermore, our retiring members are among the best recruiters we have if we can maintain a positive orientation among them as they leave active duty. This program is designed to address a very real need which has heretofore been unmet, with positive benefits expected for both our people and the country.

ARMY

General **ONO**. The Army's Transition Management Program shares only a few features of the Air Force's program:

Unlike the Air Force, the Army does not plan to limit its assistance to retirees. Rather, all soldiers leaving active duty or contemplating leaving active duty will be provided full job and educational assistance. Consequently, the vast majority of soldiers receiving Transition Management services will be non-retirees.

While the Air Force Program is designed to assist retiring service members as they leave active duty, the Army's program does not assume that soldiers receiving assistance will actually leave active duty. Instead, the Transition Management Program is predicated on the belief that soldiers fully informed of the realities of the labor market and the cost of advanced education are more likely to favorably view the benefits of continued active duty, and to reenlist or defer their retirement. Further, it can induce those set on leaving active duty status, to enroll in units of the Guard or Reserve.

A unique partnership with the Department of Labor guarantees that soldiers who still persist in their desire to leave active duty will be provided, long before their actual departure from the Active Army, the skills and information needed to make their transition to the civilian labor market successful. In pursuit of that goal, the Department of Labor has committed itself to placing Local Veterans Employment Representatives at every major Army Installation. Consequently, an additional feature of the Army's Transition Management Program is the potential for significant reductions in the almost 60 million dollars of unemployment compensation costs now routinely charged to the Army by the United States.

The Army is testing its Transition Program at Fort Bragg, North Carolina. The Program is scheduled to be expanded in fiscal year 1989, and to be implemented at all major CONUS Army installations in fiscal year 1990. It would then be executed at major overseas sites in fiscal year 1991. The Army has received 90 million dollars to fund the Transition Program in its fiscal year 1990–1994 Program Objective Memorandum. Annual steady-state costs are estimated at approximately 18 million dollars. Because of the significant benefits anticipated to accrue to the Army and the Nation, the Army does not believe that the payment of any portion of program costs by transitioning soliders would be in the best interest of the program's goals.

MARINE CORPS

General HUDSON. In 1985 we established the Employment Resource Center (ERC) Program which was designed to help retiring and separating Marines make the transition to civilian life. A second aim of the ERC Program was to assist family members of our Marines in resolving job related issues.

Our program is structured to serve as a job clearinghouse which provides a wide range of services such as employment workshops, career counseling, career relocation assistance and computerized job listings. At present, we offer the ERC Program at Family Service Centers at 18 locations worldwide reaching about 90 percent of our Marines. I want to emphasize that our program benefits Marines of all ranks as well as their families, and it is consistent with our pledge to take care of our own.

NATIONAL GUARD

General TEMPLE. The National Guard does not have a similar program. Most of the individuals who retire from the Guard are in inactive duty status and already have full-time employment. The few who retire from the AGR program with 20 years of active duty find employment by their own initiative.

SERVICE COUNSELING PROGRAM

Senator SYMMS. Admiral Edney, does the Navy have a similar program?

Admiral EDNEY. At this time, the Navy does not have a comprehensive pre-retirement program applicable to all personnel. However, a pilot series of workshops is being developed to complement the one-day benefits and compensation seminars that are currently the norm. If this pilot program is successful it will be considered for implementation in fleet-concentration areas. Because we are in the preliminary stages of development, the cost of implementation is not yet known. Intent will be to make the program available to all prospective retirees.

ARMY RESERVE

Senator SYMMS. General Ward, does the U.S. Army Reserve have a "transition counseling" program for retirees?

General WARD. The U.S. Army Reserve does not have a "transition counseling" program. Only our Active Guard/Reserve (ARG) personnel would have a need for this program. Since the AGR program is relatively small, a separate program for these soldiers is not justified. Our AGR soldiers do, however, have access to the Active component transition program.

AIR FORCE RETIREMENT TRANSITION COUNSELING PROGRAM

Senator SYMMS. How much will this program cost? Now? When fully implemented?

Mr. GREEN. Projected costs are approximately $4M per year. The initial year is projected at approximately $2M with incremental increases of 10 percent until fully funded.

AIR FORCE

General **Hickey**. We have budgeted $200,000 for fiscal year 1988, which will allow us to conduct approximately 20 programs. We are seeking $800,000 for fiscal year 1989, which will permit us to conduct approximately 80 programs. Our funding initiative for fiscal year 1990–1994 envisions a phased build, with the program being available to 0 percent of our retirees by fiscal year 1994. When 100 percent coverage is attained in fiscal year 1995 and assuming a 70 percent participation rate, total costs should stabilize at just over $4,000,000 per year.

Senator **Symms**. Is the program intended for all retirees? If not, how do we select those who will receive this additional benefit?

Mr. **Green**. Courses are intended for all officer and enlisted personnel who are retiring. Courses are being allocated to major Air Force commands with suggested priorities to installations with the largest retirement eligible populations.

Air Force submitted the POM initiative for fiscal year 1990 based on incremental programming. Initially, 50 percent of retirees would receive the course, increasing annually by 10 percent until all retirees are offered the course. Cost estimates were based on 10,000 retirees per year.

Senator **Symms**. What transition program should we have for those who are not seeking "middle management" jobs?

Mr. **Green**. The transition program is designed to prepare all retiring members for the civilian job market at all levels. Programs subject areas include translating Air Force skills to civilian terminology, job search methods, and individual counseling. The program includes information useful to all service members on how to relate their career experience and training in a way meaningful to potential employers.

Senator **Symms**. Is the program intended for all retirees? If not, how do we select those who will receive this additional benefit? What transition program should we have for those who are not seeking "middle management" jobs?

General **Hickey**. The program is intended for retirees of all grades seeking corporate jobs after retirement, since we believe this is the area of greatest need. Even though the level of corporate job being sought may differ, the job search methods employed are basically the same at all levels. Thus we believe our program has generic applicability to all levels of the corporate environment. Some of our people will want what are basically part-time or "supplemental income" type jobs, which are not difficult to find. Some will want to go to work for civil service, and adequate counseling on that avenue is already available from base Civilian Personnel offices. If we had additional funding, we could establish a separate track in our currently existing program for those wishing to establish their own business.

Senator **Symms**. Don't you believe we might be establishing a new "perceived benefit or entitlement" and that, later if we decide that we can't afford the full costs, we will again hear cries of "erosion of benefits"?

Mr. **Green**. It is possible. However, this program has been started on a pilot basis and the Office of the Secretary of Defense will monitor the effectiveness of the program in meeting its objectives.

General **Hickey**. We are attempting to address a real need with a program with a proven track record of success in the civilian community. It follows our consistent tradition of taking care of our people, since they are our most important asset. If we later decide that we can't afford the costs, our people will just have to accept that as a fact of life, just like they have accepted pay caps, retirement system modifications, and other "facts of life."

3-DAY COURSE

Senator **Symms**. Do you really believe that a 3-day course on these subjects is adequate? Aren't we possibly just increasing anxieties without having sufficient time to make meaningful increases in these types of skills? Wouldn't it be better and more appropriate if individuals who desire such a course paid for it themselves?

Mr. **Green**. The 3-day course includes sufficient material to be adequate; however, it also includes an individual counseling session in which the information learned can be tailored to fit the career needs of each retiree. Many career individuals have no idea of their civilian career potential, or jobs that may require the skills and abilities that they have developed during 20 years in the military. The course should decrease the anxieties associated with the unknown. In many instances, the individual may decide that his best choice is to remain in the service. If retirees, particularly enlisted retirees who would benefit the most, were required to pay for the course, it is unlikely that many would do so.

General **Hickey**. Our test program during the summer of 1987 encompassed both 1-day and 3-day seminar versions, with both followed by 2 hours of individual counseling. One day was clearly inadequate, as verified by participant comments. Three days is busy, but allows complete coverage of the materials and a personal "tie it together" session with 2 hours of individual counseling. The 3 days provide the roadmap which, if followed, will allow goal achievement with effort on the part of the graduates. The typical group program in the corporate world is 3 days in length without the 2 hours of individual counseling.

We believe that asking participants to pay for the course is counterproductive, since we would be asking them to make a sizable outlay of funds at exactly the time when they are in a real financial bind. The average retiring Air Force member is a Master sergeant with 23 years of service who receives monthly retired pay of $1,044 fiscal year 1987, before deductions for SBP and Federal Income Tax withholding, life insurance premiums, etc. If the individual is lucky, that will cover a house payment and part of the utility costs. Worthy of note is that outplacement services are fully funded by major civilian corporations as part of the severance package. It's considered a cost of doing business.

OTHER SERVICES TRANSITION PROGRAMS

Senator **Symms**. Mr. Green, to the other services, do you have similar programs?

Mr. **Green**. Each of the services provide separation and retirement briefings.

The Army requires all individuals leaving the Army to attend either pre-separation or pre-retirement briefings. Briefings are conducted at the installation level and cover basic benefits and compensation information.

The Army is enhancing their existing pre-separation/pre-retirement program. Individuals transitioning from the Army will be provided information on job assistance, retiree support, education, and career counseling. The education component includes entitlement programs, preparation of applications, and information on second careers in education. The career counseling component consists of: career planning; adjustment to civilian life; separation and benefits counseling; and post-retirement services briefing.

The job assistance component is under development with the Department of Labor. The Department will provide approximately 51 Veterans' Employment Representatives on installations to assist Army career counselors. These representatives will give the soldier information on the labor market and likely sources of employment and will provide assistance in preparing them to obtain a job. Department of Labor's interest is directly related to the amount of unemployment compensation that is paid to soldiers separating after their first term of enlistment. Labor estimates that successful implementation of this cooperative program will save $20M per year in unemployment payments to separating soldiers.

A pilot program is being tested at Fort Bragg. Plans are to expand to two to five more installations in 1989. All CONUS installations are scheduled to have this program by 1990 and all overseas by 1991. While the projected cost of the program is approximately $18M per year, it would be offset by the $20M savings in unemployment compensation.

The Army's program goal is to provide information to individuals separating or retiring from the Army on the civilian job market, and to assist these individuals in evaluating their marketability.

This enhanced program is targeted to the first-term soldiers who intend to separate. The first priority of the Army career counselors is to encourage reenlistment. The second priority is to encourage participation in the Guard or Reserve Forces. The third priority is to keep separated soldiers off unemployment compensation.

NAVY

The Navy does not currently have a comprehensive pre-retirement or pre-separation program applicable to all personnel. Command enlisted Career Counselors are required to conduct a pre-retirement interview with all enlisted members at least 45 days prior to retirement. For deployed units, this is normally conducted on an individual basis; on shore stations, career counselors often arrange pre-retirement seminars. The Navy is drafting an instruction designed to standardize pre-retirement briefings and seminars, and to designate specific program responsibility. Pre-separation counseling will remain a responsibility of the Retention Team. Proposed plans include:

Issue of formal program guidelines in a Navy wide instruction.

Use of Family Service Centers (ashore) to coordinate seminars/courses. Afloat personnel will continue to be served by the deployed Career Counselors.

No cost to the sailor.

The goal of the program is to ensure that retiring personnel have consistent and quality counseling that provides a clear understanding of individual benefits and compensation. Courses will provide an opportunity for Navy members and their spouses to discuss the psychological, financial, emotional, and other aspects of transition from military to civilian life.

MARINE CORPS

Commanding officers conduct pre-retirement and pre-separation counseling. Participation of Marines is voluntary. The counseling programs are 1-2 days in length and are open to all enlisted and officer personnel who are separating or retiring. Counseling focuses on benefits and compensation.

Current programs vary in degree of detail and amount of information. The Marine Corps is developing a uniform program to ensure that improved and consistent quality of information is being conveyed to separating and retiring personnel. Proposed program guidelines include:

Adding counselors to major family service centers to do pre-retirement/pre-separation counseling.

Requiring counseling for Service members in the 18th year of service or 90 days prior to End of Active Obligated Service (EAOS).

Course length of 2 days.

The program goal is to provide retiring and separating personnel quality counseling that provides a clear understanding of individual rights, benefits, and responsibilities after retirement or separation.

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

ADDITIONAL OFFICER REDUCTIONS

Senator **McCAIN**. I understand that these cuts will reduce this strength far below the statistical requirements set by DOD and the services, but can you tell us what risks, if any, you now feel these impose to each service's ability to carry out its roles and missions?

If you do not get legislative relief from the remaining 4 percent cuts, to what extent do you conclude that reductions should be carried out differently for each service and what is your rationale?

Mr. **GREEN**. You are correct that the reductions planned by DOD for fiscal years 1989 and 1990 (4,100) and the reductions thus far taken (8,100) exceed the total officers not validated by the Officer Requirements Study (7,300). While the risks resulting from taking these reductions would be significant, we are not able to quantify the risks at this time. For the Army, the risk will be more substantial as the additional 900 decrement (of the total 4,100 officers to be reduced in fiscal year 1989 and 1990) is actual end strength loss that takes away any capability to perform work. For those spaces we have identified as requiring conversion to civilian, the risk will be minimized if we are able to obtain high quality people who are able to continue the important work currently being performed by uniformed personnel. For those officer spaces converted to enlisted, this will not be the case. Typically, officers remaining in those work centers or general areas will have to pick up the work associated with the lost billet. The billets transferred as enlisted were used to fund other valid shortage areas that we had been unable to accommodate.

At this point, the Department has not allocated the remaining 4 percent. We do not believe that this is an issue that should have to be dealt with. With the services implementation of the results of the Officer Study, the DOD will have eliminated all of the growth since fiscal year 1980 that should not have been added as officers. Further, the services are taking another 4,100 officer reduction as a result of further scrub of their baseline or for programmatic reasons. The Department believes that it has more than complied with the intent of Congress to re-evaluate officer levels. As a result, the Congress should repeal the remaining 4 percent reduction.

OFFICER REDUCTIONS

Senator **McCAIN**. To what extent are the cuts hurting accessions, and is any form of legislative relief required to allow you to retire or cut surplus officers with longer service?

Mr. **GREEN**. When large personnel reductions are taken in a short period of time, the Services must establish a balance between reducing accessions and voluntary/

involuntary reduction programs. Both methods can impact our future personnel inventories. Therefore, in managing the reductions, we are weighing all factors, and striving for the proper balance between accessions and other programs that adversely affect the morale and retention of our personnel who have served long and faithfully

On February 29, 1988, the Department submitted to Congress proposed legislation that would expand the pool of senior officers eligible for voluntary/involuntary retirement during periods of officer reductions. While we are concerned that the involuntary provisions of this legislation, if enacted and used, would adversely impact morale and retention, we see no alternative since the 2 percent reduction already implemented has impacted heavily on junior officer inventories through early release programs and reduced accessions.

PILOT RETENTION

Senator McCAIN. We again heard from the Navy and Air Force yesterday that we are having major problems in pilot retention. Can you now tell us what specific steps you are recommending to deal with this problem and what legislative action will be required?

Mr. GREEN. Recognizing that pilot retention was declining to unacceptable levels in the DOD, the Defense Resources Board (DRB) identified pilot retention as an issue to review during the Implementation Review process last year. During this review the problems and causes of current and projected pilot shortages were identified, and the Deputy Secretary of Defense tasked both the Navy and Air Force to conduct comprehensive studies that considered potential remedies in all areas that cause pilot shortages and affect pilot retention. These include: pilot training rates, contract training, pilot requirements, fly-only career paths, financial incentives, and quality of life.

A legislative proposal for an aviation bonus program has emerged from these studies which include economic analysis and pilot surveys conducted in both the Navy and Air Force. This proposal was approved by the Secretary of Defense, and forwarded to the Congress on March 23, 1988. While a bonus program is the centerpiece of the Department's pilot retention strategy, we intend to continue our emphasis on a comprehensive program that expands the Services' other initiatives, and addresses all of the factors influencing pilot career decisions. While policy revisions can be addressed within the Department, we need congressional support for the bonus to minimize the impact on combat readiness.

ADDITIONAL MANAGEMENT HEADQUARTERS AND WASHINGTON AREA REDUCTIONS

Senator McCAIN. Accordingly, I am proposing legislation somewhat similar to the legislation Senator Glenn has sponsored for reductions in total officer strength that would mandate an annual 1 percent cut in the current active military and civilian manning of such staffs for each of the next 5 years, and a 2 percent annual cut in the current active strength of military and civilian manning in the greater Washington area. This legislation would allow the department to retain the manpower being cut if it were transferred to combat, combat support or combat service support units.

Could you provide your initial reaction to such a bill and provide detailed comments on its overall impact on the department and on each service?

Mr. GREEN. As you have already stated, the Department is presently, of its own volition, studying possible management headquarters reductions. When the results of the study are completed, we will implement those items that enhance our effectiveness.

As to our initial reaction to your proposed reduction, the Department has continually expressed concerns over arbitrary manpower reductions. Your proposal to cut 5 percent of the management headquarters and 10 percent of the Washington Area manpower has no workload reduction foundation. The fiscal year 1988 Officer Requirements Study proved that DoD can answer a specific congressional concern given adequate time. We are trying to do that with this current management headquarters study.

The fiscal year 1987 Goldwater-Nichols Department of Defense Reorganization Act of 1986 already imposed a 10 percent reduction on Service Management Headquarters, established a ceiling on Service Secretariats/Staffs and levied a 15 percent reduction on Defense Agency and DoD Field Agency Management Headquarters.

Management Headquarters provide the control, coordination and oversight capabilities to ensure force effectiveness. The Goldwater-Nichols reductions have already reduced the Department Management Headquarters significantly and further reductions are unwarranted.

JOINT OFFICER MANAGEMENT

Senator McCAIN. I gather that the Department is suggesting legislative relief on the requirement for officers to serve long tours in joint staff functions. I would like to see this requirement cut to tours no longer than two years, and to be sure it provides exemptions for special skills like the commanders of our nuclear submarines. Could you summarize the Department's proposal, and comment on the suggestion I have just made?

Mr. GREEN. The Department has submitted proposed legislation that would reduce statutory joint duty assignment tour lengths from 3 years to 2 years for general and flag officers and from 3½ years to 3 years for other officers. The current law provides that officers in combat specialties may be authorized to serve 2-year tours on their initial joint duty assignments, and we understand that the Navy intends to exercise this 2-year option for the nuclear submarine community and other specialties. The law does place certain limitations on the number of officers who may depart joint duty assignments after 2-year tours, and the Department is undertaking a study of those restrictions to assess the potential extent to which they may affect the availability of such officers to fill operational duty requirements. The main thrust of the Department's proposed legislation is to provide sufficient flexibility in the law to accommodate the need for more stability and continuity of experience in the joint arena without imposing adverse impacts on operational needs. While further study is needed to assess the potential impacts of the administrative restrictions now imposed on the use of the 2-year tour authority provided in the law, your proposal would provide maximum flexibility for the Department in its efforts to balance joint and operational requirements.

PAY RAISE

Senator McCAIN. Could you provide a detailed statement for the record of what would happen to the comparability of military pay if the Secretary's proposed military pay increase were not approved by Congress, and of the estimated impact on the retention of military manpower and key military skills if such a pay raise is not approved by the Congress?

Mr. GREEN. If the pay raise is not approved, military pay will fall even further behind comparability. The gap between military and private sector pay raises since competitive pay was restored in fiscal year 1982 is already 11 percent, the largest since the beginning of the all-volunteer force. We would expect this to cause a further decline in continuation rates. Across the Department, the average continuation rate for both officers and enlisted are at their lowest levels since 1981. It would have a particularly damaging effect on the higher technical skills. With the pay raises of fiscal year 1981 and fiscal year 1982, and bolstered by bonus programs, the average continuation rates for the high tech skills exceeded the pattern of the overall enlisted force. By 1983, the patterns were equal. Between 1984–87, the average continuation rate for high tech skills has declined more sharply than for the total force. These high tech skills include those in occupations associated with Radar, Sonar, target acquisition, and communications systems—these people may have the greatest opportunity for private sector employment: and they are the first to leave in an inferior pay climate.

LONG TERM RELIANCE ON THE VOLUNTEER FORCE

Senator McCAIN. You have stated that we will not need national service in spite of the current trends in manpower. Could you provide a detailed statement for the record of your latest projections of the demographic problems you project in the long term ability to maintain the all volunteer force structure? Can you provide us with any additional insights as to the long term requirement for military service?

Mr. GREEN. Certainly the demographic trend toward a smaller youth population during the 1990s has our attention. It is one of several factors that make the recruiting outlook challenging.

However, on a scale of importance, it is clearly outranked by at least three other factors. First is preservation of strong levels of retention. That is why we have placed the pay raise, VHA adjustments, bonuses, special pays, and quality-of-life items high on our list of priorities. Strong retention pays a double dividend, because career people are more productive than new recruits, and we must attract, recruit, train, and qualify about four people to replace one lost at the initial reenlistment point. Consequently, we can support the same number of combat units with a smaller end strength than we could if average terms of service were shortened.

Second, our experience since the volunteer force began in 1973 shows clearly that recruiting success is more sensitive to the levels of recruiting and advertising resources than it is to the size of the youth population. In fiscal year 1974, the first year under the all-volunteer force, we needed 7.1 percent of the qualified and available young men between the ages of 18 and 24 years. Even though the Vietnam War had damaged the prestige of military service, fiscal year 1974 was a good recruiting year. By 1979, several years of incremental budget cuts had severely damaged our ability to recruit. While each of the individual budget cuts had a plausible rationale, their combined effect convinced military people that their leaders were either unwilling or unable to provide for their needs. The hemorrhage of talent that ensued increased accession requirements well beyond programmed levels. Even though the youth population peaked in that year, it is the only year during the history of the volunteer military that all four Active components failed to meet their recruiting objectives. In 1996, when the youth population bottoms out, we expect to need 6.6 percent of the qualified and available population—less than we needed in fiscal year 1974. So we do not believe the demographic trend is the driving factor in the sustainability of the volunteer approach to meeting military manpower requirements.

The rationale for our projections is not difficult to explain. We focus on men between 18 and 24 because that age range includes over 80 percent of male recruits, and we expect the number of qualified female applicants to exceed the number of positions open to women throughout this period. For your information, around 9 percent of male recruits are 17 and about 8 percent are over the age of 25. Military manpower requirements are taken from POM projections to ensure a balance between planned weapon and support systems and the people needed to employ, operate, maintain, and support them. Beyond POM years, requirements are straightlined. On the supply side, we reduce raw population data by the percentage of people who have historically resided in mental or penal institutions, those who have already served in the military, and those who fall short of aptitudinal, physical or moral character enlistment standards. Since the youth population is projected to begin growing again after 1996, we do not project a peacetime need for an increasing percentage of the youth population.

The final factor is the question of fairness. As long as military manpower requirements remain in the projected range, seeking qualified volunteers is the fairest way of meeting them. We learned during the Vietnam Era that a fair form of military conscription is largely in the eye of the beholder. It proved to be beyond our political ability to manage. Three recent studies of a return to military conscription indicate the draft is a more costly way to meet requirements for effective military manpower, primarily because it reduces the average number of years each enlisted person serves. Increased accession, training, and supervision costs under conscription require a much larger end strength to support a given number of combat units.

Various forms of national service have been proposed, largely to address the fairness question. While compulsory forms of national service could increase the percentage of each age cohort required to serve the Nation, it is an open question whether those in military service would consider civilian forms of service comparable. The effects on military costs would be similar to those of a military draft, and other costs, both public and private, are measured in billions of additional dollars each year. Voluntary national service, on the other hand, would probably increase the competition, and thus the costs, for required numbers of quality recruits. Whether the country needs national service for other good and valid reasons is a political question, but it is not necessary to meet military manpower requirements.

All things considered, the Department is convinced a fully funded volunteer force is the least costly way to meet military manpower requirements for the foreseeable future.

Senator **Glenn**. The hearing will stand in recess subject to the call of the Chair.

[Whereupon, at 1:40 p.m., the hearing adjourned, subject to call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

TUESDAY, MARCH 29, 1988

U.S. SENATE,
MANPOWER AND PERSONNEL SUBCOMMITTEE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MILITARY MEDICAL SYSTEM

The subcommittee met in open session, pursuant to notice, at 2:05 p.m., Senator John Glenn (chairman) presiding.

Present: Senators Glenn and Wilson.

Staff present: Patrick A. Tucker, minority counsel; David S. Lyles, Frederick F.Y. Pang, and Patricia L. Watson, professional staff members; Debra A. Rice, staff assistant.

Also present: Jeffrey B. Subko, assistant to Senator Exon; William J. Lynn, assistant to Senator Kennedy; Phillip P. Upschulte, assistant to Senator Glenn; Terrence Lynch, assistant to Senator Shelby; and Samuel J. Routson, assistant to Senator Symms.

OPENING STATEMENT OF SENATOR JOHN GLENN, CHAIRMAN

Senator GLENN. The subcommittee will be in order.

The Subcommittee on Manpower and Personnel meets this afternoon to conclude its review of the manpower portion of the revised Department of Defense budget authorization request for fiscal year 1989. In our last two hearings we have reviewed the manpower requirements of the military services, the status of recruiting, retention, and compensation programs, and the programs for our National Guard and Reserve forces.

We have covered a lot of ground and I believe we have set a purposeful course for dealing with the issues that have been raised. Of course, the bottom line in all of this comes down to just two words, and that is combat readiness. I repeat that, the combat readiness of our military personnel.

We can meet hour after hour on Pentagon reorganizations and all sorts of things, but unless it contributes to combat readiness it does not really mean much.

So this leads us to the focus of our hearing today, the wartime and peacetime effectiveness of the military health care system. There can be no doubt that effective medical care is vital to winning in combat. Our soldiers, sailors, airmen, and marines are going to be shot at in combat and there are going to be casualties. That is just what war is all about.

So our medical system must take this into account and be prepared for it. Resources—and by this I mean adequate equipment and medical personnel—must be organized and available in theater so that the wounded can be evacuated efficiently to medical treatment facilities, treated, and returned to duty if possible.

The commanders on the battlefield expect and need this kind of support, and our men and women in uniform deserve this kind of support.

Equally important to our men and women in uniform is the effectiveness of the military health care system in delivering entitled medical care to their dependents and to themselves as retirees. It is expected. It has been on a space available basis, and too often that space is not available.

But these entitlements are a condition of service as far as I am concerned and deserve to be honored by those vested with the responsibility to keep this trust.

Well, where do we stand in terms of the effectiveness of military medical care? We will get into specifics when we hear the testimony of our witnesses and in questioning later, but if this headline is an indication, "Health care budget in critical condition"—it quotes Dr. Mayer and some of the other people here; this is the Air Force Times March 21 of this year—that is an indication that the military health care system appears to be in the intensive care unit itself as far as peacetime care is concerned and it is going to require heroic efforts if it is going to be brought back to health.

The outlook in wartime medical care appears just as grim. The medical readiness strategic plan you submitted in January says: "Even with the increases in staffing, the shortage of physicians and nurses remains our greatest potential readiness vulnerability."

That means, can mean, that we have a war-stopper on our hands. Now, for over 3 years we have been raising this matter of the issue of the readiness of the military medical system.

Frankly, the material you provide in your statement and your medical readiness strategic plan does not really answer the question, I do not believe. It does not give us all that much cause for comfort.

It seems that we keep pushing back an elusive get-well date that keeps getting pushed too far back into the future. I do not know whether or not there might have even been some backsliding on our overall readiness in our combat capability in the medical area.

Perhaps I am overstating my perception of the situation. I hope you will be able to correct it in your testimony today if I am wrong. I do not want to be an alarmist, but the way I see it unless there is some very strong leadership and support for military medical care, our whole national security framework is indeed threatened, and I do not overstate that.

Dr. Mayer, as the Assistant Secretary of Defense for Health Affairs, we look to you for the prescription on how to bring the military medical care system back to health. I know you have worked on this problem very, very hard. We have had many meetings on this over the last several years.

But we just want to know in unvarnished terms what the situation is and what we can do to help, because it is so important. We have been on this now for about 3 years, and need to know if there are new approaches that are needed to get adequate numbers of doctors and nurses and surgeons and so on. We will also get into the Reserve component of this for wartime mobilization later in the questioning.

It is a critical element in this also, as you are well aware, and we have to address that.

So without further ado, at this time I want to ask Senator Wilson, the ranking minority member of the subcommittee, if he has any opening comments. Senator Wilson is a previous chairman of the committee and he and I have shared some of these same concerns on the medical readiness ever since we have been on this committee together.

And we just want to get some answers in this area, gentlemen. It is one issue that Senator Wilson and I have worked on together, and we need to get going on this.

Senator Wilson.

Senator WILSON. Thank you, Mr. Chairman. And I think that your opening statement quite properly does not exaggerate and does not overdramatize the critical importance of the effort that is being made, both by the subcommittee and of course by the panel of witnesses before us. And it certainly does not overestimate the importance of finding answers to the questions that are the focus of today's hearing and, I must say, the focus of, as you have pointed out, the activities of the subcommittee during much of the past 4 years.

We have deliberately given to the subject of military medical care a great deal of time and attention because it is of enormous importance. I think that the subcommittee in doing so has succeeded in raising the level of attention on the issue, and I congratulate Dr. Mayer, who has even more raised the level of attention.

Additionally, I think—and I hope that I am correct—that the debate of Congress about the future direction of the military medical system is now properly focused on the correct questions, on the right issues. First and foremost, we must assure that our military medical system is prepared for war, as the chairman has indicated.

Second, we must assure that our military medical system is capable of providing for the peacetime medical needs of our active duty forces.

And third, we must ensure that our military medical system, which includes utilization of the private sector through CHAMPUS, is capable of providing for the medical needs of the families of our active duty forces and our retirees and their families, as provided for by law.

I am not sure that their was general agreement 4 years ago about these three objectives. Today, I think we can all agree on those objectives and their priorities, and now can focus on how to accomplish them.

The last few years have been a difficult period for the military medical system. There has been much criticism leveled at the system, and in many cases I think the criticism was due, and a great deal of the effort toward reform and correction of the deficiencies has come from within the system.

Let me say again, however, that none of the criticism which I have directed to it in the past were directed at the people in the system. In my opinion, with a few unhappy notable exceptions which we have all read about, the doctors and nurses, the corpsmen, the other support staff, have done and continue to do herculean tasks under the most difficult of circumstances.

Now, the problem has not been, was not and is not the people in the system. The problem has been and I believe remains the system itself. The system simply was not designed to perform the tasks which, as a result of existing laws and the rapid increase in beneficiaries, it has been required to perform.

Now, I am hopeful that we are on the road toward overcoming the system's problems. After 3 years of congressional debate, the Department has been able to sign a contract to demonstrate the CHAMPUS reform initiative. After 4 years of congressional debate, the Department has been able to sign a development contract for a long needed comprehensive data management system.

The services are now searching for innovative means to provide the services that are required, to provide care to beneficiaries which simply could not be provided using the old and outmoded approach to military medical care.

But there remains much to be done. I am a strong supporter of greater use of private sector resources through the CHAMPUS reform initiative, but that by no means means—and I want it clearly understood that it does not mean—that that allows us in some way to neglect or to dismember our uniform health care services.

I am afraid that, because of the turmoil resulting from the reevaluation of the entire system and because of the declining defense resources over the recent years, our existing uniformed medical infrastructure has been unintentionally allowed to decline.

Now, while we probably could provide for many of our peacetime health care needs relying only on the private sector, if we were to do so it would be a terrible mistake because we could not have our military medical system ready to go to war by relying exclusively upon the private sector. In order to be prepared in the event of war, we must have a military medical program with a balance between its Active component, its Reserve component, and its private sector component.

We are on the way to properly involving the private sector and now I think we need to turn our attention back to rebuilding the uniformed part of the system. We must work to ensure that we have sufficient numbers of personnel on active duty with the appropriate mix of skills so that our military medical facilities can be used to the optimum.

This means we need enough doctors to use efficiently the operating rooms and surgical equipment in our inventory. We must have enough nurses, enough anesthesiologists, and enough technicians to support those doctors. And additionally, we must ensure that we have adequate numbers of qualified providers so our military hospitals can continue to remain fully accredited by the Joint Commission on Accreditation.

Mr. Chairman, there are problems with our treatment facilities. Some of the facilities are inadequate. Some of them are not staffed. Some of our most qualified physicians and support staff appear to be quitting in frustration over these problems.

And we just cannot allow that to happen. We cannot allow some of the best and the brightest to leave the services. There is a minimum level of facilities and staffing which must always remain in the Active forces in order for us to be ready for emergencies.

I am not sure where that level is. That is part of our inquiry today. I fear, though, that we had better determine it quickly and act so that we do not reach it, because it appears from statements of the kind that you just alluded to that we are rapidly approaching that level.

Mr. Chairman, I know not only by your statement today, but by all the hard work in the past, that you are concerned, that you feel, as you have indicated, that this is a critical problem, to use the phrase you used, a potential war-stopper.

And as we have worked closely for a number of years on these issues, I am grateful to you today for continuing this work. We have got to continue to work together, with Dr. Mayer, and with the distinguished surgeon generals to make certain that we are able to meet that challenge and assure ourselves that the entire medical military system is in sufficient health so that it can discharge the responsibilities that it has, and it is one hell of a challenge.

So I thank you and I thank them, and I apologize for taking that much time. But I share your feelings.

Senator GLENN. Thank you very much, Senator Wilson. That was a good statement.

We will have a vote at 2:30, I am told, a rollcall cloture vote. So we will have to take a break at that time. But we will proceed until the vote goes off.

The committee welcomes our witnesses today. At the table we have: Dr. William Mayer, Assistant Secretary of Defense for Health Affairs; Lt. Gen. Quinn Becker, Surgeon General of the Army; Vice Adm. James A. Zimble, Surgeon General of the Navy; Lt. Gen. Murphy Chesney, Surgeon General of the Air Force.

Admiral Zimble, this is your first appearance before our subcommittee as Surgeon General of the Navy, and we welcome you. We know of your previous accomplishments, especially your report on medical shortfalls and the problems in Europe following the bombing of the Marine Corps barracks in Lebanon. And so we look forward to working with you.

Gentlemen, I understand you have all agreed that your full statements will be included in the record, and without objection they will be entered into the record in full, and I would welcome any opening remarks you may have before we get into questions.

Dr. Mayer, would you lead off.

STATEMENT OF DR. WILLIAM MAYER, ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS), DEPARTMENT OF DEFENSE

Dr. MAYER. Thank you, Mr. Chairman, Senator Wilson.

I was particularly interested in both of your opening statements because they are right on the button. It is a great temptation for me to emphasize the positive things that you mentioned, Senator Wilson. It is true we have started a major change in the CHAM-

PUS program. We have started a worldwide computer system that should carry us well into the next century.

You are absolutely right when you say that the problem is not with the individual people. Actually, we have never had such a superb collection of personnel among our physicians and nurses, dentists and corpsmen.

The truth is that we are faced with a system that was designed before there were profound demographic changes in the quality of the Armed Forces. The system really has evolved over time from a period in history when the bulk of the Armed Forces was young, unmarried, male.

Today we have very large numbers of married older persons among our enlisted people, we have much larger numbers and we are much more reliant upon our female members than in the past. And the system simply was not designed to accommodate the needs of this changing patient population. It is an anachronism and it cannot be changed overnight.

But I believe that the changes that are needed are well under way. There are some dangers right now that are more serious than anything we have faced in the past. It is true that we have made tremendous progress in acquiring deployable medical systems overseas.

From essentially zero base 4 years ago, we now have in hand or on order, about 60 percent, or a little better, of all the deployable medical equipment that the services feel they would need, at least in the early phases of a general war. That is an incredible achievement, considering that the gear had to be standardized, agreed upon among all the services, and the procurement of that kind of equipment in sets takes 2 to 3 years.

So up at 60 percent is an extremely worthwhile achievement.

Senator GLENN. It is, Dr. Mayer, but let me interrupt. That means we are 40 percent short if we start combat.

Dr. MAYER. Absolutely. And our goal is to achieve 100 percent by 1994. I think we will be over 90 percent by 1992. Considering that goal was set 4 years ago, that is remarkable.

Of course, we dare not have war before then.

We have started a number of very aggressive initiatives to correct the disastrous shortfalls, in the Reserve components, in particular, upon which we rely for 70 percent of our medical strength. They have yet to bear significant fruit, but I believe that they show real indications of doing so.

Again, whether they will meet our original target of being somewhere in the 90-percent range of required people by 1992, I cannot pretend to know, I rather doubt it.

The dangers that we face right now are in the legally mandated officer personnel cuts. We are an officer-rich part of the service and totally dependent upon our commissioned officers. The disasters that will arise if we have the 1 percent, 2 percent, 2-percent cuts in the officer corps will put this anachronistic system even further behind in its ability to meet the demands of the new kind of Armed Forces.

A second danger has always existed, and that has to do with ceilings. The actual determinations of what portion of the legally allowed strength of the Armed Forces could be in the medical services, as far as I can tell, were not taken as a result of careful studies and careful conscious processes.

They have kind of evolved. Now, in all fairness and loyalty to the military departments, overall strength of the medical departments has increased over three times as fast as the increase in the total strength. That is, we have increased the medical services personnel by about 12 percent since 1981.

Furthermore, the medical services have enjoyed a slightly greater growth in funding than the rest of the Department of Defense. And I think all of this signifies again what Senator Wilson said: There is a consciousness now on the part of the war-fighters or on the part of the leaders in the Pentagon that the medical support of their fighting forces is an absolutely critical part of the deterrent and of the credibility of the deterrent.

What nobody has yet come to grips with is that the technology changes in medicine, the increasing demand for care, legitimate care, have way outstripped even those substantial increases.

So we are determined—and I can speak without any fear of contradiction—the four of us at this table are determined to continue to improve the peacetime health care system, but, at the same time, not to falter in any step toward trying to achieve an acceptable level of medical readiness.

That is all I wanted to say to begin, sirs, I would be very happy after the other statements to answer your questions.

[The prepared statement of Dr. Mayer follows:]

STATEMENT
OF
WILLIAM MAYER, M.D.
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

It is a pleasure to appear today to discuss the Military Health Services System and our efforts, along with those of this Subcommittee, to effect greatly needed reforms to this massive system. Just as our mission is two-fold -- both peacetime and wartime -- so are our reform efforts.

Our peacetime reform efforts are aimed at restructuring basic health care delivery patterns to improve the access of our beneficiaries to quality and affordable medical care while also containing the government's cost of providing this care. To fulfill our primary mission of medical readiness, our reform efforts are directed towards obtaining an appropriate mix of resources -- including staffing, equipment, and facilities -- upon which we would rely if this country were engaged in a conflict.

The Military Health Services System consists of over 500 medical and dental treatment facilities worldwide -- including 168 hospitals. These facilities are staffed by 14,000 physicians, 5,000 dentists, 14,000 nurses, and 104,000 enlisted personnel -- a total of close to 150,000 personnel. Even with this sizeable network of facilities and staff, the direct care system cannot provide more than about seventy percent of all the medical care needed by our beneficiaries. Care that is not available in the direct care system is sought by our beneficiaries in the civilian health care sector and partially paid for by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

The budget for the Military Health Services System, including CHAMPUS, is approaching $13 billion in fiscal year 1989. More than half is for personnel costs, and over forty percent is for health care operations and maintenance. The remaining nine percent is for military construction, research, development and other procurement.

Our beneficiary population totals 9.3 million, including 2.2 million active duty personnel with the balance being dependents of active duty, retirees, dependents of retired and survivors.

With new fiscal constraints placed upon the military's direct health care system in the most recent years, we are having a more and more difficult time meeting the ever-increasing demand for medical care in the direct care system. Nonetheless, comparing 1986 with 1981, military hospitals and clinics handled 56,000 more dependent and retiree admissions in 1986 than in 1981 -- an increase of 9.5 percent -- and over one million more outpatient visits -- a 3.7 percent increase.

After substantial workload increases early in the decade, however, the upward trend reversed. Beginning in the mid-eighties, we have seen a marked decrease in the amount of care provided in our military treatment facilities, a shifting of workload from the direct care system, and a resulting escalation in CHAMPUS costs.

CHAMPUS Reform Initiative

Among our major new efforts is the CHAMPUS Reform Initiative demonstration contract in California and Hawaii. This Committee, particularly Chairman Glenn and Senator Wilson, has been extremely helpful to the Department on this project. I want to thank you for that help which quite literally made this project possible.

This contract was awarded to an excellent group of health care firms and not-for-profit hospitals. This consortium of firms is led by Foundation Health Corporation of Sacramento, California, a leader in Northern California. Partners Health Plan, which is a joint venture of Voluntary Hospitals of America and Aetna Life Insurance Company, will deliver care in Southern California. The Queen's Health Care Plan, the most extensive system of its kind in Hawaii, will provide services in that State. Blue Cross of Washington and Alaska, another subcontractor, has been serving successfully already as a CHAMPUS fiscal intermediary in the Northwest region, and will pick up those duties now in California and Hawaii. This is a dynamic group, well able to perform its obligations under the contract.

This is a significant contract, worth potentially $3 billion over the next five years. It is structured as basically a fixed price contract, with a series of possible adjustments to account for unexpected contingencies. The financing methods create strong incentives for cost effectiveness. As a result, the bid prices contained in the contract represent cost savings of about $250 million over the life of the contract. In other words, the fixed prices are about nine percent less than what CHAMPUS would have cost without the contract.

In addition to its cost features, the CHAMPUS Reform Initiative significantly improves the CHAMPUS program. It provides CHAMPUS beneficiaries with a "triple option" for health care services. CHAMPUS Prime resembles a Health Maintenance Organization (HMO) option, with enhanced benefits and lower expense for the beneficiary. Second, there is a preferred provider organization (PPO) program; and, third, beneficiaries continue to have the option to use CHAMPUS Extra and the CHAMPUS program as it currently exists. Military treatment facilities will be utilized to their maximum extent. Resource sharing agreements, under which the contractor provides needed personnel, equipment and supplies, will help military facilities meet their maximum capacity. The Health Care Finder will ease access problems to all health care services for beneficiaries and will facilitate the most efficient use of health care services.

We are very encouraged about the potential for CHAMPUS Reform to enhance services and contain costs under CHAMPUS, and we are grateful for the Committee's strong support.

OTHER MAJOR CHAMPUS INITIATIVES

In addition to the CHAMPUS Reform Initiative, we are pursuing a number of other important CHAMPUS improvements. The major focus of these is to improve our ability to contain CHAMPUS costs.

For fiscal year 1988 CHAMPUS claims, we currently project a funding requirement of $2.4 billion. On top of this, we must pay FY 1987 claims totalling $185 million -- a carryover of last year's shortfall; and we have one-time costs associated with implementation of the CHAMPUS Reform Initiative of $138.5 million. This includes start-up costs (about $25 million) and a buy-out of the pipeline of old claims from California and Hawaii not included in the contractor's fixed price.

Adding all of these factors, the total requirement for fiscal year 1988 is over $2.7 billion. This is $645 million in excess of the amount appropriated for CHAMPUS. As a result, the Department is now in the process of developing reprogramming requests to cover these costs. We expect these will be submitted for Congressional consideration very soon.

Project Restore

One of our new efforts to get at these cost problems is Project Restore. This initiative is aimed at reversing the very costly trend of workload shifting from military hospitals to the CHAMPUS program by restoring levels of medical services provided in our direct care facilities. This project establishes goals for the reduction of nonavailability statements, which authorize the use of CHAMPUS for inpatient hospital care.

Another component of Project Restore is the Partnership Program, started last October. This is a new tool to maximize the amount of care we provide in the less expensive military hospital setting. Through the CHAMPUS funding mechanism, it provides an uncomplicated method of bringing civilian providers into a military facility to reduce staff shortages. It also reduces costs to beneficiaries.

Diagnosis Related Groups

One of our brightest cost containment initiatives is the CHAMPUS DRG-based hospital payment system, which pays fixed amounts for inpatient care appropriate to the particular diagnosis involved. This system, implemented last October 1, is expected to save about $150 million during fiscal year 1988 and about $300 million in fiscal year 1989.

This year, we will build upon this effective initiative by developing fair methods to bring under a prospective payment method several categories of care exempted from the first regulation. These include certain types of pediatric care and drug and alcohol abuse treatment. We will solicit wide public comment on our proposals this summer.

GAO Recommended Use of Medicare Economic Index

Although the DRG system has had a very significant impact on CHAMPUS, it applies only to hospital care, not to doctors' fees, which make up about forty percent of the total program costs. Without an effective cost containment tool at present, CHAMPUS per-visit costs for professional fees have risen 31 percent from 1984 to 1987.

To address this problem, the GAO recommended that we adopt a method long used by the Medicare program to hold down costs -- the Medicare Economic Index, or MEI. Under this proposal, annual increases in CHAMPUS allowable payment rates will be increased only to the extent justified by economic factors. Now, we annually increase allowable fees to bring them up to the 80th percentile of all billed charges for that service in the state during the previous year. Under the GAO proposal, these increases would be held down, as they are under Medicare, to the amount of the MEI. As an example, from 1984 to 1987, the MEI rose 7.5 percent, a rate of growth much less than that of billed charges.

We indicated in our response to this GAO report that we support the proposed legislative change. We continue strongly to support it.

Catchment Area Management Demonstration Projects

There are several other cost containment demonstration projects the Department hopes to implement this year. One is the Catchment Area Management demonstration project. I believe this project can provide us some further insight as to how this management technique might deliver a better program to our beneficiaries while curtailing the program's escalating costs.

Last September, I asked each of the Services to conduct one or two catchment area projects. CHAMPUS funds will, in effect, be turned over to the military treatment facility commander, who will function as the health care manager for all care provided in the catchment area -- whether this care is delivered in the military hospital or in the civilian community and financed through CHAMPUS. Each Service is now developing a detailed catchment area project plan.

Fiscal Intermediary Modification Project

The other major new project we will implement this year provides for modifications to at least one of our current fiscal intermediary contracts to demonstrate other managed care initiatives. For example, we are in the process of negotiating with Blue Cross and Blue Shield of South Carolina for the implementation of discounted preferred provider networks and cost saving utilization review activities in Florida and Georgia.

MEDICAL MANPOWER

Medical Readiness/Shortfall of Critically Needed Skills

Let me now turn to an area of great interest to this Subcommittee -- our wartime medical readiness mission and our quest for the appropriate mix and number of medical care personnel to fulfill this mission.

Last year we engaged in a lively discussion of the Department's plans for resolving the shortfall of certain critically needed health care delivery skills. This year, we return to the Committee with a renewed effort to market and publicize the programs Congress has given us to attract the personnel most critical to our wartime effort.

Congressional Modifications

The Congress and this Subcommittee in particular have assisted us by enacting several modifications to current programs and creating additional options and incentives for critically needed health care personnel to join both the active and reserve components.

The stipend program has been expanded and restructured with additional options for payback of the service commitment in the Individual Ready Reserve (IRR). The loan repayment program has been extended to cover individuals who received loans for their nursing education under Title VIII of the Public Health Service Act. Constructive service credit may now be granted to greatly needed skilled nurses if the professional experience of the individual will be used directly by the Service. The ceiling on the amount of incentive special pay that may be paid to medical officers has been removed, and the purpose of this pay in attracting critically needed wartime skills has been reemphasized. The age at which reserve medical officers must retire has been extended, along with the age for initial appointment, if the medical officer is trained in a critically needed skill. Finally, the Congress followed up on an issue discussed at this hearing last year by authorizing the Selective Service System to develop and implement a system for the rapid post-mobilization registration of health care professionals.

DoD Efforts to Market and Implement Programs to Attract Critically Needed Skills

Mr. Chairman, your Committee's dedication to solving the shortfall problem that jeopardizes our medical readiness is evident. We thank you for your assistance and we are moving out to see that all these new legislative incentives are implemented and marketed efficiently.

Direct Mail Marketing

To this end, we have decided to employ a tactic that has been used successfully in other recruiting efforts -- the direct mail marketing campaign. I have just begun to mail out nearly 200,000 letters to surgeons, orthopedic surgeons, anesthesiologists, nurse anesthetists, operating room nurses, emergency nurses, and critical care nurses informing them of the benefits of joining the Reserves and of reaping the financial rewards of the loan repayment and stipend programs. We have Reserve and Guard physicians and nurses manning telephones, ready to receive and follow up on all inquiries from this mailing. Other types of direct mail campaigns generally yield a one- to two-percent response rate, and we hope to achieve at least this rate.

We are also publicizing the opportunities for and benefits of Reserve participation through the media of a number of the professional associations. Organizations such as the American Medical Association and the American Nurses Association, to name only two of several, have been most cooperative and helpful.

Physician Skills Enhancement

A new Physician Skills Enhancement Program has been established to direct the training of our peacetime physician specialties in the tasks and procedures that would be most frequently required in wartime. This special effort will address the existing imbalance between the distribution of active component physician specialists and DoD's wartime specialty requirements shortfalls. With appropriate skills enhancement training in specific tasks, some non-surgical specialists will be able to perform many of the tasks of, or in the case of certain specialties, substitute for, the critically short specialties in wartime. We have completed the first phase of this effort -- identifying specific physician specialties that can be cross-utilized to augment critical wartime shortage specialties. Under the Army's leadership, panels of specialists have been formed to identify the tasks to be trained; they have already developed implementation plans for training physicians in selected cross utilization specialties. Earlier this month, for instance, the panels' work on the three critically short specialties of anesthesiology, orthopedic surgery, and general surgery was completed. During the remainder of this year, the various panels will continue to meet until all of the specialties have been considered and their implementation plans finalized.

Incentive Special Pay

With the Congress having just lifted the cap on Incentive Special Pay and given us renewed direction to target these resources to critically short specialties, we have successfully argued within the Department to augment the resources devoted to this program in FY 1989. During the rest of FY 1988, we will continue with our plans to retarget this special pay to ensure that all the Services are using these resources to provide an additional incentive to physicians with critically needed skills. Experienced physicians in the specialties of general surgery, orthopedic surgery, and anesthesiology will receive $8,000 each in FY 1988. As a result of both the lifting of the cap and a DoD-approved funding increase in FY 1989, experienced physicians in the critically short specialties will receive incentive special pay totalling $16,000 each and, in subsequent years, $20,000. The Department will continue in future years to target those specialties in shortest supply for wartime to receive the highest amount of incentive special pay.

COMPOSITE HEALTH CARE SYSTEM

The recent contract award for Stage II (operational test and evaluation phase) of the Composite Health Care System (CHCS) procurement is a giant step forward for the Department of Defense in its long-awaited acquisition of a comprehensive, integrated medical information system. The ability to integrate our medical information and provide standard automated support worldwide through CHCS will change the way we provide health care in DoD well into the 21st century. This system is critically important to us in these times of austere budgets, and we intend to complete operational testing and begin deployment as soon as we possibly can. CHCS will enable us to make the best possible use of our most precious resource -- our health care providers, but those who will certainly benefit from this system most-will be our patients.

We owe thanks to this Committee for all of your support, but in particular for the critical role you have played in all of the initiatives I have mentioned today. I will be glad to answer your questions.

Senator **Glenn**. Thank you. We will go on to General Chesney in just a second.

I have been very much involved in the officer cuts in the medical area, right in the middle of it, as you are probably aware. We exempted medical cuts. So what are you referring to when you say officer cuts affected you?

If you had to take any officer cuts, then we have some bones to pick with the people over your head at the Pentagon, I will tell you, because doctors, medical personnel, were specifically exempted from that by last year's legislation.

Dr. **Mayer**. So far to my knowledge we have not. I posed that as a real danger.

Senator **Glenn**. All right, fine. It may be danger out in the future, but it is not an existent danger right now, fine.

General Chesney, go ahead.

STATEMENT OF LT. GEN. MURPHY A. CHESNEY, SURGEON GENERAL OF THE AIR FORCE

General **Chesney**. Let me answer that. The language is unclear. We could not tell whether it exempted just doctors or nurses or everyone, and we could not tell whether the number of doctors and nurses and medics came out of the entire Air Force, for instance.

So we have taken some cuts, yes.

Senator **Glenn**. Well, we specifically addressed that and that was certainly not the intent, and there has been a misinterpretation of that. The staff will sure look into that one.

OK, go ahead with the rest of your statement, Dr. Chesney, and then we will get on that, because if there has been a misinterpretation of that it is just exactly that, a misinterpretation, because we did not mean to—that language was supposed to be very clear, because we have recognized for the past 3 years the situation, our medical situation in our military, and we have been trying to work to correct it, not make it worse.

Go ahead with your statement.

General **Chesney**. Mr. Chairman, it is a great pleasure to be here today to present our Air Force program to you. I will put my entire statement in for the record and I have only two or three brief things to mention.

Senator **Glenn**. It will be included in full.

General **Chesney**. We are very pleased with the progress we have made in our war readiness program in the Air Force. The programs we have, the buys that we have, put us to a point where we think we could at least care for most of our patients in wartime right now, give some care to all, not optimal care to all. But we are ready right now for wartime in Air Force medicine.

Our most pressing concern today is the very constrained medical O&M budget this year. We faced a tremendous shortfall in fiscal year 1988. We are somewhere around $55 million short of finishing the year right now, and each of our major commands has a drop-dead date at which time they will run out of O&M money.

I am confident that the Air Force line will help us with some additional funding in this, but this comes at a time when we are trying to reduce the CHAMPUS cost by doing most of the medical care in-house, and if we have to stop this and send the patients out to CHAMPUS it will of course increase CHAMPUS at a time when we think we can save money by caring for patients both in-house and in our Air Force clinics.

We have pursued a number of things to improve our medical care and our cost savings, including sharing programs with the Veterans Administration and with the other services, a program we call health care finder, where we obtain care for our patients wherever we cannot do it.

We are getting ready to implement a catchment area management test at two bases to see if we cannot save money and also give better care for our patients. And we have looked at our staffing. Overall our number of people, our number of staff, is close to what we can handle in the facilities that we have.

We have shortages in radiology, psychiatry, ob/gyn, nurse-anesthesia, those things. And although our total staffing is fairly good, those shortages continue to bother us.

I want to emphasize our commitment to quality health care and to recapturing CHAMPUS costs, and we will try to provide the strong leadership that we need to do this this year and in the out years.

Thank you, sir.

[The prepared statement of General Chesney follows:]

STATEMENT OF: LIEUTENANT GENERAL MURPHY A. CHESNEY
The Surgeon General
United States Air Force

Mr. Chairman and Members of the Committee

It is my pleasure to be here this morning to discuss peacetime health care services. The Air Force Medical Service, like our colleagues in the Army and Navy is challenged to provide a greater array of health care services to a growing beneficiary population with limited resources. My major goal and the focus of my attention is to provide quality patient care and reduce CHAMPUS costs.

My most pressing concern is the very constrained medical operation and maintenance (O&M) budget. We currently face a shortfall in FY 88. This situation has forced us to make significant reductions in facility maintenance and medical equipment replacement both of which will be at less than 50% of the FY 87 level. We may have to reduce these programs even further. We are working the problem with an alternative being reprogramming action. I am confident that the Air Force line will help us with some additional funding. However, I am very concerned that we may be forced to reduce health care services to some beneficiaries which will compound our problem by shifting greater workload to the CHAMPUS program which is a more expensive alternative for the government. This is very frustrating for us because it forces us to restrict workload in the direct care system at a time when it is more cost effective to expand it by recapturing CHAMPUS workload. Hospitalization in an Air Force hospital is significantly less expensive than in a civilian hospital. For example, the average cost per day in 1987 was $420 per day in Air Force hospitals compared to $697 per day in civilian hospitals. Similarly, the cost of an Air Force clinic visit was $50 compared to the government cost of $80 in a civilian clinic.

We are actively working to implement a DRG based system of resource allocation in the Air Force. Our goals in this endeavor are to (1) improve upon existing incentives that promote efficient and effective health care, and (2) to develop a workload measurement system that better depicts the performance of our health care delivery team. Consequently, we envision our health care delivery system will move in the same general direction as the civilian health care sector, that is, increased ambulatory care and greater emphasis on health promotion.

New Initiatives

During 1987, we began several new initiatives that were designed to increase patient access to ambulatory care services. One initiative tested four streamlined organizational management models at 12 USAF hospitals. This test gave ambulatory care managers increased responsibility and authority for managing all ambulatory care activities. The results were encouraging, and we are making plans to realign ambulatory care organization structures at other USAF Hospitals worldwide.

Another initiative was the development of designated Ambulatory Care Teams within the hospital that assign responsibilities to team members for the total administrative and nursing support of each practitioner and the patients under their care. The results have been improved provider and patient satisfaction and increased efficiency of ambulatory service operations.

Health Care Finder

To gain better management control and offer better access to services, we embarked upon the Health Care Finder program to assist military families in finding quality, accessible, affordable health care when the care needed is beyond the capability of the Air Force medical treatment facility. This has been accomplished by setting up networks of civilian hospitals, individual providers and other institutions with prenegotiated agreements based on CHAMPUS allowable charges and credentials reviews. This program has grown significantly since its beginning at nine bases over a year ago. Today, each medical treatment facility throughout the CONUS has established a Health Care Finder program. To date, more than 16,136 individual providers, 151 hospitals and 75 Preferred Provider Organizations and Health Maintenance Organizations have agreed to participate in the program. We have matched patients with quality health care providers whose charges are equal to or less than CHAMPUS costs. What does this mean to the patient? It can mean the difference between a patient cost of $60 or a bill for $860 for a hip replacement in Phoenix, Arizona. Or $25 for maternity care as compared to $625.

VA Sharing

We have also pursued innovative sharing agreements with the Veterans Administration. This program benefits both the VA and DOD beneficiary providing a wider range of health care services. We now have more than 60 MTFS involved with some form of sharing, ranging from computer supported diagnostic testing to inpatient care. Our most ambitious effort to date has been our joint endeavor with the VA in Albuquerque, New Mexico. There instead of a costly hospital replacement project, the Air Force has moved into the new VA medical center. The estimated cost savings in construction costs alone is between $9 million and $10 million. We still continue to provide outpatient services from our existing facility. We have broken ground for a new ambulatory health care facility on the VA campus. We expect to occupy that new facility in the spring of next year. USAF Regional Hospital Minot is under construction. It will have 5 designated VA beds with occupancy planned for April 1988. Another joint venture with the VA is under consideration with the USAF Regional Hospital Elmendorf, Alaska for a programmed FY 91 construction project. Other sites currently under study include: Nellis AFB, Nevada; Davis-Monthan AFB, Arizona and Patrick AFB, Florida. Sharing with the VA at select locations can provide a greater range of services for our beneficiaries while reducing both government and beneficiary cost.

PRIMUS CLINICS

Both the Army and Navy have found their PRIMUS and NAVCARE clinics to be effective extensions of the direct care system for primary care. These contractor managed outpatient facilities have proven popular with patients who find the walk-in clinics convenient with no out-of-pocket expense for the user. We plan to open four of these clinics in FY 88: in the Riverside and Sacramento California areas, the Omaha, Nebraska area and the Tucson, Arizona area. In FY 89, we plan another PRIMUS type clinic in the Tampa, Florida area, near MacDill AFB.

Access

In an effort to provide better service to our beneficiaries, we have extended clinic hours in some locations and opened satellite clinics and pharmacies away from the main hospital. These initiatives have eased long waiting times and crowded conditions in our medical treatment facilities. We have tapped the retiree talent base through a variety of volunteer programs. This has resulted in 200,000 man-hours in volunteer time by more than 2,100 retirees during FY 87. This provides the equivalent suport of 487 manpower authorizations. We expect this program to continue to grow and expand services available to our patients, such as satellite pharmacy services already established through support from these volunteers. This program has improved the flow of information between the MTF and retiree population.

I am very pleased that over 201,000 Air Force families have elected to participate in the new dental insurance program. The plan's basic dental benefits package provides an excellent beginning toward a full range program. We are working with the other Uniformed Services and DOD to explore possibilities in this area. I would like to thank Congress for its support for this program.

Planning for the Future

Last year we developed AFMED 95 PLUS - our concept for the future. It is a transitional plan that will take us beyond 1995. The plan highlights not only our traditional mission of service to the active duty force and families but our commitment to the moral and ethical obligation of providing or arranging quality health care to those who have served: the retired members and their families.

The direction of the plan is in concert with the Department of Defense installation management policy of decentralized authority and increased flexibility for local commanders. The concept of locally managed health care looks beyond the base and the direct care system. The on-site medical treatment facility commander will be responsible and have increased authority to integrate the base and local community health care options through a system called catchment area management. Those options include arranging care within the federal and private health care sector. Commanders will be able to enter into contractual or negotiated agreements with community providers to deliver health care services within the catchment area. We expect this new approach to improve accessibility, quality and convenience while using available resources as cost-effectively as possible.

We are looking ahead to implementing catchment area management at two demonstration sites: Phoenix, Arizona (Luke and Williams AFBs) and Las Vegas, Nevada (Nellis AFB). The medical treatment facility commander at each demonstration will be responsible for providing health care services for all eligible beneficiaries either through the direct care system or by arranging the services through alternative sources as part of the Managed Health Care Plan. Each commander will manage a budget comprised of the programmed direct care resources and the CHAMPUS funds attributable to the catchment area for all eligible beneficiaries. The commander may enter into contracts and negotiated agreements for needed medical services.

Beneficiaries will be permitted to choose the existing system for obtaining medical care or become a member of the Plan. We believe the features offered in the Plan (e.g. reduced cost sharing, improved accessibility, virtual elimination of claim forms) will provide sufficient incentive to choose the Plan.

The Air Force proposes a concurrent and independent evaluation of the demonstration sites with periodic progress reports to be submitted during the course of the project. These reports may provide sufficient documentation to support expansion of catchment area management prior to completion of the demonstration projects. We are beginning the logistics support for these projects during FY 88 with a fully operational plan at each site beginning in FY 89. They will operate for a minimum of a three-year period.

In FY 88 the Air Force has funding responsibility for the Air Force portion of the CHAMPUS budget. The current procedures established by DOD require each Service to pay for its own beneficiaries. We hope to allocate funds on a catchment area basis during the catchment area demonstration test. We need Congressional support to allow CHAMPUS funds to be used at the local level at other selected locations where demonstrated potential exists to save money through locally negotiated agreements.

The Partnership Program, an expansion of the Joint Health Benefits Delivery Program, encourages increased sharing between military and civilian health care activities. The Partnership Program expands access to services for CHAMPUS beneficiaries and has cost savings potential to the government where competitive rates can be negotiated and where medical treatment facility resources can be more fully utilized. We have 18 Air Force medical treatment facilities involved in 83 Partnership Agreements throughout the CONUS. Flexibility is needed to be able to co-mingle CHAMPUS and O&M funds in order to achieve the significant cost savings envisioned under this program.

Innovation

I have recently created a new Center for Health Care Innovation which is working to establish joint venture agreements with the other Armed Services, the Public Health Service, and the Veterans Administration. The Center is working toward four major goals:

Innovation exchange

Innovation support (consisting of funds to assist in the initiation of "innovative" ideas

Creative solutions (both interim and long-term for problems of accessibility and productivity)

Professional development (educational seminars to stimulate creative thinking, improve the leadership base and discuss health care trends)

Already over 400 innovative applications have been compiled into a catalog. The range of innovative ideas spans administrative service to sharing agreements with other health care organizations. The Innovators Catalog lists, proven time and money savers which have been instituted in our facilities. The Army, Navy and VA are interested in an "innovation" crossfeed as a result of our efforts.

Health Promotion

To achieve the best state of health and readiness possible for our active duty members, we are implementing an important test of a Prototype Health Promotion Clinic at Carswell AFB. We are shifting modest acute care resources to staff and operate a clinic that will focus on reducing the risks of premature death and attaining optimum health. Five hundred individuals will receive a health risk appraisal to determine the health risks related to their lifestyle. A health promotion or wellness prescription will be tailored to the individual. This test began last month and will end in mid 1989. Data is being gathered on the experimental and control groups to determine what risk reductions can be made in the target population.

Medical Facilities

As you know, the responsibility for planning, programming, and budgeting for construction of military medical treatment facilities was realigned from the military departments to the Defense Medical Facilities Office (DMFO) in 1988. Although medical facility construction is no longer under direct Air Force control, we remain committed to a strong construction program and are working diligently with the DMFO to correct long-standing construction deficiencies. Within the DMFO's FY 89 Medical Construction Program are included 12 Air Force projects for the Air Force having a total value of $101.7 million. Within the CONUS, there are three projects dedicated toward correcting compliance requirements. Two life safety upgrade projects are programmed for the hospitals at Dyess and Seymour Johnson AFBs, and the third is an important seismic upgrade project for our Regional Hospital at March AFB.

Additional proposed construction in the FY 89 program for Europe, supporting both peacetime and wartime missions, includes: the additional/alteration composite medical facility projects for Hahn Air Base, Germany, and RAF Lakenheath, United Kingdom; and a replacement clinic project for Rhein-Main, Germany. Biological/chemmical agent and blast protective features will be incorporated into the design of these projects to support second echelon mission needs of these medical facilities.

The shortfall in the funding level for the upkeep of our inventory is a result of a cumulative process, not a sudden occurrence. For the past several years, we have necessarily delayed certain types of facility repair and at the same time, changing technology and health care delivery techniques generated new facility construction requirements. To add to this growing maintenance backlog, the funding level of the Military Construction Program (MCP) has not kept pace with our needs. As a point of reference for this remark, we project that the current funding of the medical MCP supports a 50 year life cycle -- each medical treatment facility will be fully upgraded or replaced once each 50 years. We have projected that a facility life cycle of 35 years is the maximum cycle in which building systems, technological support and functional capabilities can be maintained. As a result, a greater investment in facility maintenance is generated.

One of the most serious facility problems we are faced with is the correction of life safety deficiencies. In 1985, we engaged the Department of Health and Human Services to evaluate the extent to which Life Safety Code deficiencies exist in 47 of our CONUS hospitals. They determined that more than $11 million of Life Safety Code deficiencies exist and they also identified another $59 million of related facility upgrade requirements. While we have given the correction of these deficiencies a high priority, constraining funding levels do not allow correction of these problems in as timely a manner as we would like.

This year, we instituted several management actions to improve the overall performance of our facility O&M program; however, these actions will still fall short of success because of funding constraints. I am working with the Air Staff to identify the additional resources we require to adequately maintain safe, efficient and adequate medical treatment facilities.

Quality Assurance

All quantifiable measures show the Air Force Medical Service continues to offer high quality medical care. For example, and most significantly, this past year we had available the first results of the External Civilian Peer Review Program. This program, developed by the Assistant Secretary of Defense for Health Affairs two years ago, has civilian medical professionals review the record abstracts of patients treated by military medical facilities to evaluate the quality of care being provided. This is an unprecedented undertaking. Nothing comparable has been accomplished in civilian medicine. Since January 1986, approximately 33,000 Air Force records have been reviewed. In that time, only 31 cases were identified by the civilian peer review panel as cases in which potentially unacceptable care was provided. This is a remarkable result. We believe this demonstrates that the Air Force, is providing excellent care.

This past fiscal year, the number of malpractice claims filed against the Air Force held steady from the previous year. Three hundred, forty-eight claims were filed, an increase of ten from the previous year, but well below the 378 claims filed in 1985. The malpractice rate in civilian medicine continues to escalate. During the year, we treated over 17 million outpatients, over a quarter of a million inpatients, and delivered over 37,000 babies.

Finally, we have worked very closely with the Department of Defense in preparing to support the Health Care Quality Improvement Act of 1986 as it will apply to the military. Once the national professional disciplinary data base mandated by this law is established, we will immediately be able to provide the appropriate reports.

Incentive Special Pay

The recent legislative change to Incentive Special Pay (ISP) that removed the 6% budget limitation and the $8,000 payment ceiling for critically needed wartime specialties was an important first step in reducing the pay gap between military and civilian incomes. The average difference between military and civilian incomes in the specialties that receive ISP is significant. The September 1987 issue of Medical Economics reported a 1986 net civilian practice earnings of $146,430 for "all surgical specialists," compared with an average lieutenant colonel physician's compensation of $82,000, which includes $8,000 ISP; a difference of $64,000. Although we can reduce this wide disparity by paying more money in ISP beginning in FY 89 to the most critical specialties, we are reluctant to risk damaging the morale of the Medical Corps as a whole by extraordinary expansion of the differentiation between the 20% ISP "haves" and the 80% ISP "have nots."

A much better solution is to increase all categories of special pay - variable special pay, additional special pay and board certified pay. The rates for these pays have not increased since they were set in 1980. Long overdue increases are necessary to reduce the income gap for all physicians, not just those in wartime specialties. I will request that Dr. Mayer include these increases in the Biennial Report of Special Pays, which is due to Congress at the end of September.

Officer Reduction and Staffing

I greatly appreciate the Congressional direction to exempt the Medical Service from the officer reduction of 1% in FY 88. This has enabled us to increase wartime readiness, better meet the health care requirements of our beneficiaries and minimize costs. I want to re-emphasize my concern about possible future cuts that could result in either a reduced level of services or an increased CHAMPUS cost.

Congressional support of manpower growth in the Five Year Defense Plan will allow the Air Force to meet most of its contingency requirements. Our military manpower is programmed to grow over three percent between now and 1992. The growth is paced to coincide with the delivery of our deployable assemblages. We are using the additional manpower effectively in peacetime to expand services available to our beneficiaries.

Overall, we are able to staff currently authorized positions. Although, some problems exist in the mix of providers on active duty, efforts in increasing critical medical specialists (i.e., general surgeons) have been successful. We continue to have shortfalls in radiology, psychiatry, OB/GYN and nurse anesthesia, and I am very concerned about the vastly increased competition for nurses.

Armed Forces Health Professions Scholarship Program

This past year, legislation was enacted affecting the Armed Forces Health Professions Scholarship Program. This program is our main source of high quality physician accessions. Effective 1 October 1989, the DOD must have 2,500 participants designated who are in the final two years of their course of study; and, who have agreed to accept, if offered, residency training in a critically needed wartime skill. We understand the intent of this legislation was to target a sizeable portion of the program participants to meet wartime requirements. A recent Association of American Medical Colleges survey of medical students reported only 23% have decided on their residency preference by the time they enter their third year of medical school. Furthermore, how can we ask a medical student to agree to residency training in a designated specialty when the student cannot guarantee the Air Force he will be selected? It is a highly competitive process, with medical students not chosen until the end of their fourth and final year. For those selected, there of course is no guarantee that they will complete training. Additionally, even if feasible, we are not certain this would be attractive to a potential applicant who has obtained alternative financing for the first three years of medical school. Will that individual commit to military service for only one year of scholarship benefit?

Medical Readiness

Medical readiness is our first priority. We are committed to the deterrence of war through operational support to our fighting forces. Optimum effectiveness. To prepare for the treatment of the injured and sick during wartime, we operate a comprehensive health care system in peacetime which ensures that our medical response for wartime is rapid and ready. We are committed to supporting the flying mission through a community based health care system within the Air Force operational command structure. We are convinced that the wellness of our airmen and his or her family is a key ingredient to the Air Force's mission capability and overall readiness posture.

We have made remarkable progress since the late 1970's. We adopted the four echelons of medical care system. This system provides for an increased level of medical capability as patients are evacuated from the front lines and establishes a level of care at each echelon that focuses on two basic objectives. First, and foremost, mission isupport is maximized if we are able to treat and return to duty as many airmen as possible. Seocnd, for those unable to return to duty, their condition must be stabilized and properly managed until they can be evacuated to where more definitive care is available.

Our investment in war reserve materiel has grown significantly from $17 million in 1978 to $450 million this year. Much of this investment has been prepositioned overseas at expected places of use. Readiness training continues to improve the capability of medical personnel to cope with the environment and equipment limitation found in the combat scenario. We have also reduced our manpower shortfall necessary for wartime requirements. We have been able to sustain growth in the active component and have realized significant growth in the reserve component. Our strength in readiness bolsters the peacetime health care system. Much of our wartime readiness is enhanced during peacetime through the practice of medical and dental care in our Air Force hospitals.

Conclusion

In closing, I want to emphasize my personal commitment to quality health care services and reducing CHAMPUS costs. Given adequate resources, including money and manpower, we can do the job well. With further cuts in our program, our ability to meet the health care needs of our beneficiary population is uncertain. To do our best, will take strong leadership and greater local management of resources. With your support we can continue to meet the health needs of our military families today and tomorrow.

Senator **Glenn**. Thank you.
Admiral Zimble.

STATEMENT OF VICE ADM. JAMES A. ZIMBLE, SURGEON GENERAL OF THE NAVY

Admiral **Zimble**. First, Mr. Chairman and Senator Wilson, I want to thank you very much for the opportunity to be here. And again, I will make my remarks very brief and submit the statement for the record.

To Senator Wilson, I want to thank you. I am very gratified to see that you have essentially made all of my opening remarks, and I cannot do anything but support everything that you have mentioned earlier regarding readiness and support for our active duty dependents and for the retired.

I just want to add one fine point, and that is that the readiness for going to war, the peacetime care for active duty sailors and marines and their dependents and the retireds and their dependents are all inextricably related. We cannot do one job without the other.

We need the challenges that are provided through medical care of the retired and their dependents in order to stay professional and maintain our cognitive and manual skills to go to war.

Therefore, the space available basis for which they are treated bothers me, unless we make darn sure that we make space available for them. Having facilities which are undermanned and underutilized only serves to show where we have allowed good capital investments to languish and not challenged our providers.

When he gave his posture statement last week, Admiral Trost said Navy men and women are at sea, in ships and aircraft throughout the world, day in and day out, every day of the year. And I hasten to add, Navy medicine accompanies sailors and marines wherever they may be.

Navy men and women are our most valuable resources. And yet, I have to be the first to admit that the medical support for them and their families is eroding.

The Navy is doing its very best to protect medical in the face of some severe officer reductions. We mentioned this just briefly a moment before. This results basically in a double tax against the Navy line: the initial tax is the impact of the smaller base from which to take its cuts, since the medical department officers, fully 16 percent of the officer strength of the Navy lies within the denominator from which those percentage cuts are being taken.

In his posture statement, Admiral Trost said he would not field a hollow Navy. We are dangerously close to fielding a hollow medical department by default. The Navy has necessarily mortgaged the shore establishment and support functions, and medical has been included.

The problem is compounded by medical mortgaging of our smaller facilities in order to support our overseas facilities and our teaching hospitals. And now we are in the process of mortgaging our teaching hospitals.

Now, just as the physical condition of the shore establishment has deteriorated, the competitive edge of our medical department has been dulled. People are overworked. They feel they are not seen as valuable members of this country's defense team. Others are underutilized and frustrated because of nursing and technician shortages.

Basically, we have entered a period of drought in military budgets. The currency of this drought will be end strength. I do not expect the Chief of Naval Operations or the Secretary of the Navy or the Commandant of the Marine Corps to spend their limited end strength on resources that do not directly contribute to delivering ordnance on target. And frankly, I would do the same.

We have several alternatives: First, contracting; civilian hires; managed care arrangements; and CHAMPUS. And all of those initiatives we have taken, and all of those preserve end strength.

Unfortunately, continuing reliance on these alternatives has the potential of seriously deteriorating the readiness of our medical department. In fact, we are now at less than critical mass. If something is not done very soon, the deterioration will accelerate as residency review programs withdraw their program accreditations.

The result will be a cooldown of the medical department, leaving us barely capable of conducting full service sick call on active duty persons.

Now, I would submit there is a way out and that there are five steps that I see to success: First, provide additional medical department end strength;

Second, decouple medical end strength from line end strength;

Third, release CHAMPUS dollars for use in contracting;

Fourth, provide the authority to transfer money from O&MN to MPN accounts in order to make the changes in officer compensation so that we can be more competitive with our private sector;

And fifth, I would ask for DOPMA relief, not just for the medical corps and dental corps, but all of the medical department officers, in such areas as officer-enlisted ratios, rank structure, and accession and retention age changes.

Now, combine those five measures with a tincture of time and your continued positive support and I think we can reverse the trend.

I thank you for taking the time to discuss Military Medicine.

[The prepared statement of Admiral Zimble follows:]

STATEMENT OF
VICE ADMIRAL JAMES A. ZIMBLE, MEDICAL CORPS
UNITED STATES NAVY
DIRECTOR, NAVAL MEDICINE AND SURGEON GENERAL
DEPARTMENT OF THE NAVY

Good morning Mr. Chairman and members of the committee. I am Vice Admiral James Zimble, Medical Corps, United States Navy, Director, Naval Medicine and Surgeon General of the Navy. Thank you for the opportunity to appear before you today to discuss Navy healthcare.

This Posture Statement will describe the state of Navy healthcare and highlight some of the more pressing issues with which we need your help. We have, over the past several years, made very good progress toward eliminating our shortfalls in deployable medical units. Also, the quality of care provided in our facilities is continually demonstrated to be competitive with, and in some cases superior to, the finest care available in the private sector. Navy people still tell us that they prefer to receive their healthcare in Navy facilities, from Navy people. I must tell you, however, that all of these things are seriously threatened by the current state of the Navy healthcare system. The crux of the problem is a chronic and severe shortage of healthcare personnel. This problem cannot be overstated. As a result, most of the initiatives you will hear about today are directed toward attracting good people and retaining those who are now serving so well, under less than the best conditions.

Overview of Navy Medicine

The Navy healthcare system exists to provide prompt and effective medical care to combat forces in time of conflict and to maintain the health status of active duty members in peacetime.

Successfully accomplishing this mission contributes directly to the Navy's ability to sustain combat operations.

During peacetime we provide healthcare services to authorized beneficiaries using resources that will be needed during war. Dependents of active duty personnel, retirees and their dependents are provided healthcare services to the extent resources will permit; of course, our active duty personnel must receive first priority for medical services.

Our direct care system consists of hospitals and clinics managed through Medical Commands. The Naval Medical Command is responsible for the operation of 31 hospitals in the United States and overseas (four of which are comprehensive teaching hospitals and another four are family practice teaching hospitals), 188 medical clinics, and 176 dental treatment facilities. These are exclusive of facilities on U. S. Navy Ships or in Marine Corps Units.

In addition to providing direct healthcare to our beneficiaries, the Naval Medical Command also oversees medical research through the Naval Medical Research and Development Command in Bethesda, Maryland. This command has the responsibility for the Naval Medical Research Institute, Naval Health Research Unit, Naval Dental Research Laboratory, the Naval Medical Research Units, the Naval Biodynamics Medical Laboratory, the Naval Submarine Medical Research Laboratory, and the Naval Aerospace Medical Research Laboratory.

Also under the aegis of the Naval Medical Command are the Naval Aerospace Medical Institute, the Navy Ophthalmic Support and Training Activity, the Naval Medical Data Services Center, the Naval Medical Materiel Support Command, the Navy Environmental

Health Center, and the Naval Health Sciences Education and Training Command. The Navy Environmental Health Center is the Navy's equivalent of the Centers for Disease Control. It is responsible for tracking infectious disease, for preventive medicine measures, and for environmental and occupational health.

The Naval Health Sciences Education and Training Command (HSETC) operates the Naval School of Health Sciences and Hospital Corps schools. HSETC trains medical personnel and oversees outservice and inservice training programs.

A large part of our peacetime healthcare program is direct Fleet and Fleet Marine Force support. Many of our personnel are deployed today to afloat units. There are over 320 physicians, 195 dentists, 4,600 hospital corpsmen, and 508 dental technicians assigned to Navy afloat units. Additionally over 200 physicians and about 2800 hospital corpsmen are assigned with deploying units of the Marine Corps. Supporting these missions is not without cost. For example, we estimate the total annual CHAMPUS bill resulting from hospital medical personnel being deployed to support Persian Gulf operations exceeds $2.6 million; a large part of which comes directly from Navy Department beneficiaries as copayments.

Medical manpower resources not deployed in direct support of fleet operations or engaged in maintaining the health status of the active force are available to provide services to non-active duty beneficiaries. There continues, however, to be a large residual demand for health services beyond what can be provided in the direct care system, forcing beneficiaries into the only alternative available, the CHAMPUS program. Several recent initiatives will help to alleviate some of the pressures placed upon our hospitals and clinics. For Navy, the most important of these to date has been the development of the NAVCARE clinics. Learning from our colleagues in the Army Medical Department and their very positive experiences with PRIMUS clinics, the Navy has opened four NAVCARE clinics in the past fiscal year. These clinics are very popular with our patients who are using the clinics at a rate which is up about 30% over the FY 87 levels. The average cost of an outpatient visit through CHAMPUS is about $65, while the average cost per visit in a NAVCARE clinic during fiscal year 1987 was about $46; nearly a 30% discount on the cost of a CHAMPUS visit. NAVCARE clinics are important extensions and integral parts of our direct care system. They provide a base for referrals into our hospitals. We intend to improve on that referral base. We are planning to open 6 more clinics this year. The clinics we will open this year are designed to also care for patients with chronic health problems such as hypertension or respiratory dysfunctions. Further, the clinics opened in 1987 will be modified to include chronic care. The principal benefit to our patients is that they will have much improved access to the system. Obviously, the Navy also benefits from these clinics. The patients treated in these clinics and subsequently referred to our hospitals for inpatient care are important to provide a diverse patient population. They enable our specialists to provide care to a challenging group of patients of all ages and states of health. These patients are also of critical importance to our graduate medical education programs. In addition to our NAVCARE clinics, we are also aggressively pursuing contracting for selected services. This important initiative will help us recapture CHAMPUS workload, take the edge off the access problems in some of our facilities, improve the use of our capital investment in facilities, and bring people back into our facilities at a cost that will save both the government and the beneficiary money when compared to using CHAMPUS. We have awarded contracts for services in the specialties of radiology, general surgery, pediatrics, OB-Gyn, psychiatry and internal medicine in six locations in FY 87, and we have plans to award substantial contracts for emergency medicine and acute care by the end of this fiscal year. In fact our contracting initiatives will grow from $15 million in FY 87 to $98 million in FY 89. Contracting for nursing services is a high priority in the FY 89 budget. Nursing services contracts are being developed for 1989 award at Naval Hospitals San Diego, Portsmouth, Camp Lejeune, Oakland, Bethesda, Guam, and Subic Bay, Philipines.

Our contracting initiatives, both NAVCARE and selected services contracting, are critical aspects of our efforts to improve access for our beneficiaries and to ensure a steady flow of appropriate clinical workload into our graduate education programs.

MANPOWER, STAFFING AND CAREER DEVELOPMENT

Manpower is our most valuable Navy resource. This is particularly true in the people-intensive delivery of healthcare. Our total inventory of active duty medical personnel as of January 31, 1988 was 40,743. This includes 3846 physicians, 1713 dentists, 3,061 nurses, 2,432 administrators and allied health personnel, 254 physician assistants, and 29,437 enlisted personnel. There are also about 9,000 civilians working in our healthcare system.

Medical manpower growth has not kept pace with the demand for care because the Navy necessarily has concentrated its manpower growth to man expansion of the fleet. Our medical manpower situation also has been handicapped by our difficulties in recruiting and retaining medical personnel. We have not been very successful in recruiting fully-trained physicians and have had to rely on the health professions scholarship program and the more recently authorized loan repayment/stipend programs for Reserves. This situation is exacerbated by the loss of physicians at the end of obligatory payback periods just when they are reaching full stride professionally. We are losing quantity and quality.

Recruiting goals for nurses have varied significantly from year to year, resulting in an uneven flow in the nursing pipeline. We have taken steps to correct this problem. We will be implementing a pilot program that will permit reserve nurses to work on a regularly scheduled basis at our medical treatment facilities and receive drill credit for their work. This program will augment the hospitals' staffing and, we hope, attract some of these nurses into the active force.

Some gains have been made in improving our recruiting programs. By the end of FY 88, for example, we will have 90 full time medical recruiters in the field. The improvements are already paying dividends. For example, 41 physicians have been recruited, 22 of whom practice critical specialties. We have streamlined the recruiting process with a goal of reducing the processing cycle from one year to no longer than 60 days. The medical department has taken action to shore up recruiting ensuring more physician-to-physician contact at the local level. Selected active duty physicians will receive training at the Navy's recruiting school to learn techniques to be more effective spokespersons for Navy medicine.

Navy also initiated a mass mailing of questionaires to 180,000 physicians and nearly 250,000 registered nurses to determine if they might have an interest in serving in the Navy. We are now following up on the 3400 persons who responded. We will also participate in a similar undertaking sponsored by the Assistant Secretary of Defense (Health Affairs).

Our Loan Repayment and Stipend Programs are gearing up. Two nurses are enrolled in the Loan Repayment program. Seven nurses and ten physicians are involved in the Stipend program and there are another 12 applications in process. We expect these programs to make significant contributions to improving our manning problem.

Our recruitment and retention initiatives are crucial to improving our medical posture. Navy leadership supports us in these efforts. We are working with Vice Admiral Edney to develop a balanced, executable program for increasing the size of the medical force. Our efforts will produce a deliberate and steady increase. I request that you permit Vice Admiral Edney and me to present a balanced growth program for your review. The growth will include 300 medical department officers and the associated support personnel. We will also access all the Medical Department Officers we can possibly recruit. I ask, therefore, that you review the requirement to make 25 percent of all Navy officer accessions medical department personnel.

EDUCATION AND RESEARCH

A professionally vigorous, enthusiastic medical staff is a crucial variable in the complex equation that leads to retaining physicians in the Navy. Two of the most important contributors to development of this professionally competitive medical staff are graduate medical education and the opportunity to conduct rigorous clinical investigation and research.

In the prologue to their White Paper on Military Graduate Medical Education, the Society of Medical Consultants to The Armed Forces stated, "Graduate medical education is the keystone supporting the entire voluntary military medical structure for quality healthcare delivery in time of peace and war." Simply stated, if we cannot train physicians, we have little hope of retaining them as career officers. Traditionally, among the most valued assets of the Navy Medical Department has been its education and training programs. Graduate Medical Education (GME) programs have been highly sought by physicians, and the competition for residency positions has been fierce. Recently, the operational focus of Navy Medicine towards readiness training and the increase in medical deployments, without significant increases in manpower, have interrupted program continuity in many cases, depleted seasoned teachers from the programs and caused a drop in residency applications.

We must halt this diversion of talent if we are to maintain our future capability. Anything which threatens Graduate Medical Education programs, threatens our viability and the quality of people we can attract and retain. Retaining the highest quality people is already very tough.

We must reward, stimulate, and retain our superior research scientists and revitalize our research and development programs. Several programs critical to wartime medicine are now in various stages of development. The projects involving the battlefield conversion of potable water into water for intravenous fluids are critical to resolving some of the most difficult wartime logistics problems. Similarly the conversion of all blood into type "O" negative cells which can be frozen and stored for years, then reconstituted for wartime use, using the onsite produced sterile intravenous solutions, has major impact on our readiness; and the development of a process which provides diagnostic x-ray images in the field without the need for x-ray film has the potential to significantly increase our wartime medical care capabilities and exploit space age technology.

PHYSICIANS IN EXECUTIVE MEDICINE POSITIONS

Each year we must deal with the issue of assigning physicians to executive medicine positions. There are those who argue that as long as we do not have the resources to satisfy all of our clinical demand, we should require all of our physicians to provide direct patient care in lieu of accepting management positions. In fact, the House Appropriations Committee Report on the Fiscal Year 1988 Department of Defense Appropriations Act directs each of the Services "...to reduce by 10% the number of physicians in administrative positions (from those assigned on September 30, 1987), returning them to patient services and replacing them in these administrative positions with Medical Service Corps personnel." This view fails to recognize that there are positions to which assignment of a physician is, in my view, essential to mission accomplishment. The first is the Surgeon General's position. This is followed closely by the Deputy Surgeon General and the Fleet Surgeons. We are also required to provide a Medical Corps Flag Officer for certain rotating positions in Joint Commands. My policy is that the best qualified individuals, regardless of Corps, will be assigned to command our military treatment facilities. It is my judgement that the Commanding Officers of our largest graduate medical teaching facilities must be clinically proficient, competent administrators, experienced in Graduate Medical Education and research oriented. I fully agree that physicians are not needed just to sign paperwork, or move it from one side of a desk to another. However, the Navy does need to to "grow" senior physician leaders for command positions in the organization. It is essential that a robust pool of highly qualified personnel, including physicians, be available to fill middle and top leadership and management jobs in Navy Medicine. We are providing the finest management training courses available to our people; however, the skills developed in these courses, while necessary, are not sufficient in and of themselves. These classroom-developed skills must be sharpened by the lessons of experience; experience which can only be gained by serving in middle and entry level management and leadership positions. Many of these experiences are available in the natural course of a physician's development. Internship, residency, senior resident status, Division Director, Department Head, Teaching Chief, and Chief of the Medical Staff are all important, challenging management development opportunities for physicians. However, their opportunities for development should not be artificially limited to these clinically oriented positions. If we want the best qualified persons to fill our key positions, then we must afford all our officer corps opportunities to develop the leadership and management skills needed to successfully perform in those jobs, including physicians. There are positions which, in my view, require assignment of a physician and there is, therefore, a requirement to develop a pool of talented managers from which we might select the "best" qualified to serve in our most challenging leadership positions. Physicians prefer to practice in organizations where they are confident that the clinical perspective is taken into consideration in all healthcare policy decisions. **Make no mistake, leadership *is* the issue here. For these reasons,** I do not think that a 10% reduction of physicians in "administrative positions" is in the best interest of the Department of the Navy or our patients and I request that you reconsider this direction.

CHAMPUS REFORM INITIATIVE

The Navy has been a strong supporter and partner in the CHAMPUS Reform Initiative (CRI) since its inception. I have given the program my personal endorsement and strongly support the objectives underlying CRI. This long-overdue initiative to increase access to healthcare services while reducing the cost and ensuring the quality of those services is now being brought to fruition. We will watch carefully the implementation of the CRI in California and Hawaii. This initial demonstration is particularly important to Navy since 60% of the population eligible for CRI benefits in those states is Navy. Our expectation is that it will significantly improve the problem of beneficiary access and facilitate CHAMPUS cost control.

CATCHMENT AREA MANAGEMENT DEMONSTRATION PROJECT

The purpose of this proposed demonstration project is to improve the accessibility and delivery of healthcare services to eligible beneficiaries within the catchment area of the Naval Hospital, Charleston, South Carolina. Our emphasis is to create efficiencies, enhance resource use and encourage private sector involvement. Through an enrollment system, patients will obtain healthcare services either at the Naval Hospital or from local physicians who have contracted to provide care at a cost which is below prevailing CHAMPUS rates for the region. The Commanding Officer will be responsible for providing health services to all enrolled patients in the catchment area. The Commanding Officer will have the authority to enter into contractual arrangements with individual providers, provider groups, or other sources of healthcare in order to facilitate beneficiary access. A Healthcare Finder network will be established to help military personnel and their families gain access to healthcare. The Healthcare Finder will locate appropriate healthcare providers either within the Charleston Naval Hospital or with the contracted providers in the civilian community. The Health Care Finder network together with the Health Benefits Advisor will guide our patients to the most appropriate sources of care and provide information concerning benefits and any out-of-pocket costs.

Quality assurance and review of credentials will be conducted in accordance with existing Navy and Department of Defense directives. Physicians who offer contract services within the community will be required to submit their credentials to the hospital Commanding Officer for review and verification. I am very excited about this concept. My challenge will be finding the resources needed to implement this important demonstration project in view of the restrictive language in the FY88 Department of Defense Appropriations Act. The CHAMPUS program has become so expensive that we will probably have to use all currently budgeted CHAMPUS resources just to pay the bills. It may not be possible to develop viable and prudent alternatives to the CHAMPUS program without using some of these funds. We must have flexibility in order to maximize the use of tax dollars to best advantage.

QUALITY ASSURANCE

I am committed to continuing the emphasis on the provision of quality care in Navy Medicine. An ongoing evaluation of the quality of care we provide to our patients has been, and will always remain, an integral part of the practice of the delivery of healthcare. Systematic monitoring and evaluation of that care has been institutionalized into our Quality Assurance (QA) program. We have in place all the required elements of a successful program, as evidenced by the continued accreditation of all our hospitals and major clinics, including the NAVCARE clinics, by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Our patients tell us that once they obtain access to our system, the quality of care they receive is excellent. Daily monitoring through all review parameters required by the JCAHO, in addition to occurrence screens, bears this out. When substandard care is attributed to a provider, prompt action is taken. In most cases additional training is provided. If the medical staff feels a provider can not meet the practice standards of Navy Medicine, that provider is separated from the Navy and reported to the Federation of State Medical Boards. The need for such action has continued to decline. This is significant in the light of a one-third decrease in tort claims filed against Navy in recent years. Such trends graphically demonstrate that our QA program is working.

We now intend to use this very effective program to identify deficiencies in our system which have a negative impact on Medical Readiness. Unacceptable care can be attributed to reduced access to care, unsafe facilities and equipment, and understaffed clinics, as well as unskilled providers. Our new focus will be to identify system deficiencies which must be addressed and corrected to maintain clinical competence and increase the quality of care we provide.

The External Civilian Peer Review of Military Medicine, utilizing specialty specific standards of care established by board-certified practicing civilian physicians, continually documents the standard of excellence achieved by Navy Medicine. A panel of civilian physicians reviewed abstracted cases that differed with criteria developed by 9 medical specialty societies.

I remain firmly convinced that our patients' largest single quality assurance problem remains access to care. Poor access threatens the continuity of a patients care and poor continuity results, eventually, in compromised quality.

NAVAL HOSPITAL PHILADELPHIA

For the Delaware Valley, which includes the Naval Hospital Philadelphia, an improved system of health services is being studied. Recently, the Assistant Secretary of Defense (Health Affairs) announced his intention to study the requirements for healthcare services in the entire Delaware Valley area. An economic analysis is being conducted to determine the most cost effective method of providing healthcare in the Philadelphia and Fort Dix Catchment areas. Once this study is completed in July 1988, an informed decision can be made concerning the most appropriate method of healthcare delivery in these catchment areas.

Until the study is completed and a decision is made on the future of military health care in the Delaware Valley, we will maintain staffing at the March 1987 level. Additionally, contracts are being maintained in urology, gynecology and internal medicine. A contract is being developed for emergency room physicians so that we can reopen this service. Healthcare services will continue to be provided at the Naval Hospital Philadelphia until such time as a replacement hospital is built or a satisfactory alternative delivery system is in place.

OVERSEAS HOSPITAL CONSTRUCTION PROGRAMS

I also must highlight our requirement for a replacement hospital at Naples, Italy. The facility now being used as a hospital was originally designed and constructed as a commercial hotel. It was subsequently leased by the Naval Support Activity to meet the expanded requirements of the Sixth Fleet. The structure is hazardous. It is located in an active volcanic zone, was not built to Italian seismic codes, and was damaged during the 1983-84 volcanic tremors.

I understand the Congress's concern for the total cost of Project Pronto, a concern which led to lining-out the replacement hospital in fiscal year 1988. Nonetheless, the U.S. Government and the Navy have a commitment to protect our allies, a commitment we fulfill, in part, with the Sixth Fleet. As long as the Fleet is there, we need to ensure our sailors, marines, and their dependents are provided a safe facility from which to obtain their healthcare.

The FY 88 budget included funds to prepare a site for a replacement hospital at the Naval Hospital in Subic Bay, Philipines. Unfortunately, the Congress denied this funding. Those of you who have traveled to Subic appreciate the sad state this hospital is in. The Assistant Secretary of Defense (Health Affairs) has included the funds to do the site preparation for a replacement hospital in the FY90 program. Your support of this effort is critical.

MEDICAL READINESS

Readiness results when the proper plans, people, equipment, supplies, and other resources are brought to bear on a problem in a predictable, reliable, and timely fashion. Readiness is first and foremost a state-of-mind. It is the result of long hours of work by skilled men and women learning and practicing their skills in every possible environment. Readiness permits us to match patients requiring certain interventions with staff with the particular skills required to perform those interventions. Increasing our use of CHAMPUS does not lead to readiness. What would lead to increased readiness, and simultaneously provide more economical treatment, is increased endstrength. The additional endstrength would allow us to make better use of our military hospitals with additional uniformed providers.

Our ability to support our combat forces medically in major conflicts or other crises rests in part on an appropriate inventory of deployable medical units. These units--the hospital ships and fleet hospitals--will give us the ability to provide medical support close to the site of conflict, the flexibility to tailor medical capabilities to mission requirements, and the responsiveness to provide medical care when and where it is needed. Strategically, they form the foundation on which our medical readiness and operational support is built and contribute in a very real sense to our overall defense posture.

The first of two highly sophisticated, state-of-the-art hospital ships, USNS Mercy (TAH-19), was delivered to the Navy in December, 1986. The second ship, USNS Comfort (TAH-20), was delivered in December, 1987. With the addition of Mercy and Comfort to the fleet, our afloat, acute surgical care capability to care for large numbers of severely wounded sailors and marines is second to none.

The primary mission of the hospital ships is to have available a mobile, flexible, rapidly responsive afloat medical capability to provide acute medical and surgical care in support of amphibious and surface warfare task forces. The hospital ships can:

- Receive by means of helicopter or small boat transfer (while anchored) patients suffering from wounds, diseases, or other trauma;

- Provide on-site emergency and recuperative care to patients until they can be returned to duty or evacuated to other overseas facilities or to the Continental United States (CONUS) for further treatment;

- Provide 12 operating rooms and 1,000 beds and associated medical support per ship. There are 80 beds for intensive care, 20 beds for recovery, 280 beds for intermediate care, 120 beds for light care and 500 beds for limited care; and,

- Deploy within 5 days from issuance of sailing orders.

While awaiting the requirement for their service in an operationally related mission, the ships will be maintained in reduced operating status (ROS) in a CONUS port; USNS Mercy will be berthed in Oakland, California and USNS Comfort will be berthed at Baltimore, Maryland. While in ROS, the ships will be manned by a Military Sealift Command civilian crew and by a Navy cadre of medical and non-medical personnel. These personnel will become part of the staffs of each ship during periods of full operating status (FOS).

Within five days from issuance of sailing orders, the hospital ships can be fully ready for deployment. When in full operating status, the medical treatment facility will be manned with a staff of approximately 1200 personnel. These personnel will be transferred from shore-based commands, primarily Navy hospitals and dental clinics, to fill the billets when the treatment facility is activated.

USNS Mercy completed her shakedown cruise in the western and southern Pacific having steamed more than 19,000 miles in four and a half months on a successful humanitarian and training mission. The hospital crew, about 35 percent of which was female, was staffed with personnel from the Army, Navy, Air Force, and Public Health Service. Personnel involved were drawn from both active duty and reserve components. During this mission 62,000 patients were seen and treated, nearly 2,000 surgical procedures were performed, along with 24,000 laboratory procedures and over 10,000 x-ray exposures. Nine-hundred and twenty patients were admitted to the hospital aboard the ship and 848 major surgeries were performed with no mortality. The mission also provided superb training for our medical people allowing them to see many diseases and conditions peculiar to the area which are seldom seen in the United States. It was a highly successful and worthwhile training deployment. This great ship passed her tests with flying colors. She is now standing by, ready to assist.

The other major element of our deployable units is the fleet hospital. The first three fleet hospitals achieved initial operating capability (IOC) during FY 1987. Five additional hospitals will reach IOC in FY 1988. Delivery of these facilities will provide an additional 2500 deployable hospital beds. We are closely monitoring the progress of the program to ensure these assets meet their delivery schedule in FY 1988 as planned. All of our active duty fleet hospitals are in procurement and we are beginning to procure our reserve hospitals.

The fleet hospital program was conceived to provide a completely equipped, relocatable combat hospital system capable of worldwide deployment in support of Fleet and Fleet Marine Forces (FMF) engaged in combat or contingency operations. The units will be prepositioned, afloat or ashore, as near to the point of planned use as feasible. Shore-based fleet hospitals complement and expand the afloat medical capabilities of the Fleet and play a critical role in the Navy's doctrinal concept of forward deployed theater support. Using various unit configurations, the fleet hospital program will deliver definitive healthcare through modular, rapidly erectable medical and surgical facilities.

The program will accomplish four objectives. First, the hospitals will provide definitive treatment to maximize the return-to-duty of skilled combat personnel thereby minimizing manpower replacement requirements. Second, they will support combat operations at any global location since they can be deployed and erected rapidly. Third, they will fill shortages in medical facilities in areas of potential combat operations located outside the Continental United States. Last, they will reduce the demand for personnel transportation since both the Medical Evacuation (MEDEVAC) and subsequent troop replacement requirements are reduced.

Navy's fleet hospital program includes two types of modular design hospitals: combat zone (CBTZ) and communication zone (COMMZ). Modules containing capabilities such as surgical suites, intensive care units, nursing units, wards, radiology, blood banks, laboratories, dental clinics, and pharmacies will be combined in various designs to support 250-, 500-, and 1000-bed hospitals.

The CBTZ hospital is configured in 250- and 500-bed sizes. This hospital's mission is to provide resuscitation and prompt care of patients in the rear of the combat zone. The hospital will receive patients from medical units organic to the combat forces. Patients who cannot be returned to duty within the evacuation policy will be stabilized and transferred to more comprehensive medical facilities, such as the COMMZ hospital, for further treatment and recuperation or for stabilization and transfer out of theater. Positioned on a suitable site, the hospital can be assembled in 8 to 10 days, is capable of operation in a variety of climates, and is essentially self-supporting for sixty days, except for fuel and water.

COMMZ hospitals are 500 or 1,000 bed facilities located outside the combat zone in a secure location within the theater of operations. The COMMZ hospital's mission is to provide comprehensive medical care. The range of care they provide includes acute trauma care for combat casualties, recuperation for return-to-duty, and stabilization for personnel requiring MEDEVAC to CONUS. The hospital will receive casualties from medical activities with lesser capabilities.

The COMMZ hospital is capable of continuous, all-weather operation, is medically self-supporting for 60 days, and is designed to support a longer patient stay, i.e., recuperation. This capacity permits some patients to be retained in-theater for recuperation. For personnel not expected to recuperate within the evacuation timetable, the COMMZ hospital will serve as a control, holding, and evacuation point for MEDEVAC to CONUS.

Fleet hospitals will be prepositioned at or near the point of planned operations to help ensure quick activation. When prepositioned afloat, the hospitals will be placed aboard commercial vessels chartered by the Military Sealift Command. These vessels, used as floating warehouses, will deliver hospitals to designated ports when directed. Fleet hospitals positioned ashore will be warehoused in CONUS or overseas at specifically identified sites in host nations. Navy has aggressively pursued its host nation support program to establish firm agreements and dates for prepositioning fleet hospitals.

We are buying our seventeenth fleet hospital in FY 89 and we need your support to keep that in the program. The Defense Department's Fiscal Year 1989 budget request includes $21.2 million in military construction funds to build fleet hospital storage facilities.

As DEPMEDS come on line, training of our personnel to man the platforms becomes an important priority. Fleet Hospital Operations Training is a newly established course presented at the Naval School of Health Sciences, San Diego Detachment, Camp Pendleton, California. This course is designed to teach fleet hospital staff members the principles of fleet hospital assembly and operations in a combat environment. To reach initial operating capability at least 40% of the hospital staff must be trained. The remaining staff will be trained as soon as possible after delivery of each hospital. Our goal to train 100% of the staff of each hospital has been achieved for the first hospital. The Camp Pendleton facility, which used elements of a 250-bed CBTZ fleet hospital, will train approximately 3,000 active duty and reserve personnel annually. Each of the 18 classes a year will consist of approximately 165. Retraining will be provided every third year.

Living in the field, personnel learn to assemble fleet hospital components and become familiar with the equipment in their functional areas during realistic medical exercises. The school site, remote and austere, is largely self-supporting and is representative of the environment that can be expected in the rear of a combat zone. Training is conducted in a phased manner to simulate actual deployment of a fleet hospital. A detachment of Construction Battalion personnel (SEABEES) arrives on site first and assembles the base camp portions of the fleet hospital. A hospital command team also arrives to supervise the hospital's assembly. Next, an advance party of non-medical and medical personnel reports to assemble the support services portions of the hospital, followed lastly by the rest of the course participants who assemble the medical portions of the hospital. In total, the training cycle lasts 10 days. After training for each of these groups in hospital assembly is completed, a medical exercise is conducted to provide experience in operating the facility and its equipment.

Other important milestones have been achieved in readiness training:

- At the completion of FY 87, 4,067 Navy active duty and reserve medical personnel, including 2,671 physicians, had received training in the Tri-Service Combat Casualty Care course. This course teaches personnel to function on a battlefield during a mid- to high-intensity conflict by placing staff in realistic combat situations;
- All members of the Hospital Ship Full Operating Status medical treatment facility crew will undergo a three-part training regimen which includes orientation training for the ship and medical treatment facility, fire-fighting and damage control training, and a course in shipboard familiarization training;
- Training provided by the Surface Warfare Medical Course ensures that medical officers assigned to the staffs and ships of Navy surface units have the necessary education to appreciate the special needs of deployed units and their personnel. The course is taught at San Diego, California and Portsmouth, Virginia, during three week training sessions each summer for those assigned to surface ships for the first time. As of December 1987, a total of 142 personnel were trained for their sea duty assignments;

MEDICAL READINESS STRATEGIC PLAN

The House Armed Services Committee's Report on the Fiscal Year 1987 National Defense Authorization Act directed the development of an integrated plan for curing the ills of the wartime medical readiness system by 1992. The Assistant

Secretary of Defense (Health Affairs) has developed such a plan and forwarded it to the Services for implementation. Full implementation of the plan will require resources not presently available. Your support will be needed if the plan is to be fully implemented. The need for resources notwithstanding, there are many elements of the plan which can be implemented without additional resources. They require the Services to work closely together to coordinate planning and implementation.

I think we all agree that the Strategic Plan contains many items which must be accomplished. We should also agree that we must continue to perform the many things which presently consume our time, energy, and resources. The question which remains is, where do we find the resources to implement the many important initiatives in the strategic plan? Among the resources required to implement these plans is manpower. For example, many of the action plans require dramatic increases in the tempo of training operations. What must be kept in mind is that each additional hour of training requires an hour away from some other function, most notably, patient care. Any new function we do must come from some other function.

The Medical Readiness Strategic Plan brings together many of the most important medical readiness issues in one omnibus plan. The specific resources required to fully implement the plan have not yet been identified. However, there is no doubt that implementing the plan will require additional resources and your long term support.

Summary

In his statement to the Military Personnel and Compensation Subcommittee of the House Armed Services Committee, the Secretary of the Navy said, "...without additional resources Navy Medicine will continue to be '*in extremis*'." Naval medicine relies on trained people to deliver quality healthcare to a diversified and wide-ranging population. It relies on the availability of state-of-the-art equipment to treat patients, to maintain skills, and to retain healthcare professionals on active duty. The system requires hospital facilities that meet recognized life-safety codes and have the space available for providing patient care. Unlike our civilian counterparts, however, we must prepare daily for wartime requirements by deploying physicians and nurses to train with the very units we would support in time of war. This in turn depletes our hospitals' staffing and limits the number of patients we can treat, which results in reliance on CHAMPUS. To contain the cost of CHAMPUS, we have contracted with healthcare providers to work in our hospitals, making use of available space for both inpatient and outpatient care.

CHAMPUS and most forms of contracting provide us with a much needed safety valve for meeting the healthcare needs of our beneficiaries. However, CHAMPUS and contracting are expensive and make only marginal contributions to improving our readiness status. Navy medicine needs the resources which will allow it to recruit and train active duty physicians, nurses, and other healthcare providers. To ensure we retain these professionals, we must be able to offer them well-constructed, state of the art hospitals, and a professional environment in which to practice.

Even as we grow additional active duty healthcare professionals, we will continue to search for innovative means to provide healthcare services; including contracting, direct civilian hire, and managed healthcare approaches. Commanding officers must be encouraged and guided in accomplishing this; but we must provide them with the capability--the resources. Any negative action, or any failure to act--whether it be with facility construction, manpower growth, or funding--affects the entire Naval Medical system. Meeting peacetime healthcare requirements, including the care of non-active duty beneficiaries, contributes to wartime readiness and controls costs. Those are our goals; to be ready when needed, and to provide cost effective healthcare services as we standby, ready to assist.

Senator GLENN. Thank you, Admiral.

General Becker.

STATEMENT OF LT. GEN. QUINN H. BECKER, U.S. ARMY, SURGEON GENERAL OF THE ARMY

General BECKER. I would like to, Mr. Chairman, just submit an abbreviated statement and I submit my full statement for the record.

Senator GLENN. It will be included.

General BECKER. Medical readiness is our number one priority. We are soldiers. I am a soldier, and we want to take care of our soldiers.

We are improving our posture to do that during wartime. This year we have purchased to date 101 field medical sets, that is DEPMEDS sets. That is very near the target. We will field 15 of these by the end of this year. These DEPMEDS sets of course increase the capability of our field units considerably and replace the old MUST sets.

The major problem in readiness remains in Reserve personnel. We have the New STRAP program that the Congress has given us and we just recently got the recruiters, the AGR strength that we needed to run that program. We believe that with this new program we will be able to recruit the critical specialties in both medicine and nursing that we need to fill our Reserve units. These are, of course, the orthopedic surgeons, the general surgeons, the anesthesiologists, the OR nurse, and the nurse-anesthetists. We have already had some success with this program.

Peacetime health care, of course, as Admiral Zimble said, is very tightly linked with wartime readiness. We do provide quality care. We have high quality practitioners. We have taken many measures to improve that over the last 3 to 4 years.

The 1988 budget provided by the Congress was good. It allowed us to increase our PRIMUS clinics and we appreciate this committee's help for that.

However, several deductions have been made that have put us considerably below the 1987 level. Now, we have been able to gather a little money and this afternoon or early in the morning we will release a message stating that we will continue to honor civilian prescriptions. This has been a problem out in the field, as you know. We are still short money to finish the year. We will continue to try to find the resources to, at least, return to our 1987 level of effort.

In the future, the use of CHAMPUS money in our catchment areas will give us the diversity we need to take care of our patients and I believe save a considerable amount of money.

We are suffering a physician loss at a rate higher than anticipated. There is a pay differential problem. You mention that in your statement, I believe, and that is real.

What we want to do is to use our direct care facilities to the maximum amount and thereby train our people for their wartime mission and save considerable CHAMPUS dollars.

That is the end of my statement and I stand ready for your questions.

[The prepared statement of General Becker follows:]

PREPARED STATEMENT OF LT. GEN. QUINN H. BECKER, U.S. ARMY, SURGEON GENERAL OF THE ARMY

Mr. Chairman and Members of the Committee, I am Lieutenant General Quinn H. Becker, The Surgeon General of the Army. It is an honor to have this opportunity to appear before your sub-committee to discuss the Army Medical Department (AMEDD). I value your interest and acknowledge the vital role your support will have in the future.

The AMEDD is tasked with performing four separate, yet interrelated, health care missions. Our primary mission is to ensure a high state of medical readiness to support combat and contingency operations. This includes support to Army field commanders in maintaining a physically and mentally fit force. Equally important, though, are missions to insure a quality peacetime health care delivery system for all authorized beneficiaries; provide Graduate Medical Education and other health care training to support both the wartime and peacetime mission; and conduct extensive research to protect the lives of soldiers who are deployed world-wide. Our day to day operations support each of these missions.

At the outset, I would like to express my appreciation to the Members of this Committee for several specific actions affecting health care delivery as contained in the 1988 DoD Authorization Act. The permission to pursue expansion of the PRIMUS program will assist in improving access to primary care for our beneficiaries. Additionally, the guidance contained in the Conference Report to exempt medical personnel from participation in the Officer Reduction in FY 1988 will not only assist in medical readiness but will also contribute to maintaining peacetime health care capabilities.

Medical readiness is our number one priority. Significant resources have been devoted to improving our medical readiness posture in recent years and that effort is continuing. An important step in this direction was the establishment within my office of a separate Readiness Division. This division identifies medical readiness issues, recommends solutions and monitors all medical readiness enhancement initiatives which affect the Active Army as well as the National Guard and the Army Reserve. Although we have achieved admirable progress in correcting our medical readiness shortfalls, critical equipment and personnel deficiencies remain, particularly in the reserve components. However, there are plans and resources approved to alleviate these shortages.

As you know, we began a significant medical materiel acquisition program in 1982 aimed at correcting deficiencies which spanned the entire spectrum of combat casualty care from medic aid bags to combat hospitals. The thrust of the hospital equipment initiative focuses on the procurement and fielding of Deployable Medical Systems (DEPMEDS), which is a quad-service effort to standardize equipment within all field type combat hospitals. The Total Army is involved with this initiative. Our plan calls for the fielding of DEPMEDS sets by 1993 with much of this equipment going to our reserve units. Fielding began last year with the 8th Evacuation Hospital at Fort Ord, California, and the 85th Evacuation Hospital at Fort Lee, Virginia, receiving the first DEPMEDS sets. A training set was delivered to the Academy of Health Sciences at Fort Sam Houston, Texas, for use at the Joint Medical Readiness Training Center. Two Reserve Component hospital units received Minimum

Essential Equipment for Training sets while two complete sets have been placed in POMCUS storage in Europe. When completed, this initiative will provide sufficient hospital sets to initially equip all theater hospitals. Also included in this modernization effort are newly designed aid station and clearing station sets, dental x-ray sets, air and ground ambulance sets, chemical decontamination kits and many other critical items of equipment.

Progress continues to be made in implementing new programs designed to alleviate the shortage of reserve component professional personnel. These initiatives have been designed to focus on specialty shortages of physicians and nurses in both the Selected Reserve and Individual Ready Reserve. Flexible training and membership options, such as the First Army Augmentation Detachment, along with recent legislative authorities to provide specialized training assistance and loan repayment are examples of these initiatives. Nonetheless, the most important effort to implement these initiatives and thereby resolve this problem is the expansion of our recruiting system. Active Guard/Reserve (AGR) personnel are essential for this recruiting effort. AGR positions authorized by the Congress for fiscal year 1988 have been instrumental in the establishment of a National Augmentation Detachment for this end. Continued support is necessary to build on these efforts to eliminate this shortage.

Training for AMEDD personnel remains a critical adjunct to readiness. We continue to support the Combat Casualty Care Course designed as a tri-service course to prepare military medical professionals to successfully function at the forward points of the casualty care system. This course is conducted by the Joint Medical Readiness Training Center located at Fort Sam Houston, Texas. Over a nine day period, in a field environment, students receive instruction in Advanced Trauma Life Support, patient evacuation, patient triage, preventive medicine, individual protection and patient care in an NBC environment, and support of combat operations. In response to a need identified by the Congress to expand and export the course for reserve component personnel, the AMEDD has worked with the Joint Medical Readiness Education Committee and the DoD Health Council to develop a plan to accomplish this action. Resources to support this effort are included in our fiscal year 1989 budget.

Readiness initiatives to reduce evacuation and hospital bed shortfalls in the European Theater are on track. These include the establishment of "warm base" hospitals which are pre-positioned general hospitals at the intended site of wartime use in a partially established mode. The use of existing facilities such as former warehouses or factories, are ideally suited for this purpose and significantly shortens the time necessary to make these hospitals operational at the outbreak of hostilities. Last year, two such "warm base" hospitals were established; the first located in The Netherlands and a second one in England. We are pursuing the establishment of eight more of these facilities in Europe. Ground evacuation capabilities are improving as well. The activation of German reserve ambulance bus and ambulance train units to move our casualties is progressing. Rapid deployment teams remain ready. Last September, we successfully deployed the US Army Europe Contingency Hospital to Turkey as part of the "Display Determination

87" exercise.

One of the significant milestones to further improve our medical readiness is the recent completion of the Medical Readiness Strategic Plan. This plan requested by the Congress and developed by the Assistant Secretary of Defense (Health Affairs) comprehensively documents the many actions necessary to ensure a high state of medical readiness consistent with the needs of the Services and realities of funding. Achievement of these objectives will be a long-term venture and one that requires the support and cooperation of the Services and the Congress. The Medical Readiness Strategic Plan provides a framework from which these competing medical readiness needs can be evaluated and prioritized for action within the program budget process.

Another important AMEDD mission is the provision of peacetime health care. While it is not our sole mission, it is a significant and highly visible benefit of military service. It is an entitlement established by the Congress to which the AMEDD strives to provide the highest quality of health care services consistent with available resources. Its successful execution is interwoven in the daily accomplishment of our multifaceted mission of maintaining medical readiness, conducting research, and educating health care providers. To this aim, the AMEDD operates 49 hospitals along with numerous health and dental clinics world-wide. We also provide military staff for the Brooke Army Medical Center operated under the executive agency of the United States Air Force as part of the San Antonio Joint Military Medical Command.

We point with pride to the peacetime health care services provided in our medical treatment facilities. Over the past several years, workload accomplished by these AMEDD facilities has remained relatively constant. On an average day, we admit 1,111 patients, have 6,046 beds occupied, assist with the birth of 115 children, and provide care for some 58,582 outpatients. While the number of admissions has actually risen, Army hospitals continue to experience a decline in the average length of patient stay which decreased from 5.8 days to 5.5 days between fiscal years 1986-1987. This decrease is reflective of the national trend which results, in part, from technological advancements, such as the use of lithotripters to non-surgically remove kidney stones, along with changing treatment practices like ambulatory surgery.

In spite of productivity enhancements, the AMEDD has not kept pace with the growing beneficiary population's demand for health care. We are not using our medical treatment facilities to full capacity and the most significant factor limiting full utilization is staffing. Consequently, when a patient's need cannot be accommodated within the direct care system, we must refer the patient to the civilian sector under the CHAMPUS program. This alternative is frustrating for our providers, more costly, and generally not as acceptable to our beneficiaries as care in the direct system. Review of CHAMPUS non-availability statements issued by our facilities indicates that in fiscal 1984 Army hospitals accommodated 93.7 percent of our patients. In fiscal 1987 the accommodation rate declined to 92.3 percent.

The practice of peacetime health is medical readiness. On a daily basis our clinicians and technicians perform their "go-to-war" duties. An adjunct to this readiness is the training of AMEDD personnel. Our Graduate Medical Education Programs are nationally recognized as a valuable asset. These programs ensure that there are trained physicians available to treat the medical needs of our patients. This means that infants are delivered by obstetricians and fractures are set by orthopedists. The largest source of physicians entering the Army is from the Health Professions Scholarship Program (HPSP) and the Uniformed Services University of the Health Sciences (USUHS). These physicians are not specialty trained when they enter active duty. While they are undergoing residency training they are at the same time delivering care to DoD beneficiaries. The Graduate Medical Education environment provides a solid basis to sharpen and challenge the skills of all participants in the training process as well as providing daily experiences that ensure readiness on the battlefield.

Concern for our soldiers and their families is reflected in the Army Medical Enhancement Program developed over the past several years, endorsed by the Congress, and initially executed last fiscal year. The objective of the medical enhancement program is to improve the accessibility and the quality of care in medical treatment facilities. The first objective is creation of a primary care model for all active duty families. The second objective is to improve the patient appointment system. This includes hiring more clerks and receptionists as well as installing automation to assist in managing the scheduling process while providing excellent data for management. A third objective is to obtain additional ancillary support personnel - nurses, physical therapists, occupational therapists, dieticians, corpsmen, lab, pharmacy and radiology technicians. These additional personnel will increase support for physicians in the clinical environment, relieve physicians from performing nonclinical duties, improve provider productivity and the effectiveness and efficiency of the health care delivery system, and support the Army Family Action Plan through improved access for military family members to care.

The medical enhancement initiative is a bold program requiring the overall support of the Army Staff to ensure that adequate resources are available to make it happen. This undertaking will provide some 4,000 additional workyears to support medical activities over the course of the program. A significant philosophy is reflected in the Army decision to support this quality initiative. It is that the soldier who knows that his or her family is well cared for is a soldier more dedicated to fight on the battlefield. Simply stated, health care for the soldier and his family is a readiness issue.

Initial results from our first year of implementation show that the objectives of this enhancement program are being met. Access and service to our beneficiaries is improving. Reported highlights of the program from individual facilities indicate that additional nursing and other ancillary staff have helped return nurses to patient care, improve intensive care service, reduce surgery backlogs, reduce emergency room waiting times, provide respiratory therapy services, improve nutrition care, reduce pharmacy waits, expand radiology services, meet national accreditation standards, and even establish an open heart surgery program at one location.

Continuation of this initiative will help in meeting more of the demand for health care, recapture CHAMPUS workload, and ensure that we provide quality health care.

Opportunities to share health resources and thereby utilize excess capacity in either VA or DoD facilities are being pursued under the framework of the Health Resources and Sharing Act. VA and DoD cooperative ventures to maximize the use of federal health facilities afford mutually beneficial opportunities to expand service availability while promoting cost containment. Since passage of this law, the Army Medical Department and the VA have successfully negotiated over fifty sharing agreements covering all aspects of hospital services. Examples of services currently shared include inpatient and outpatient care as well as neurosurgery, open heart surgery, specialty consultations and procedures, procurement of medical supplies and equipment, dental services, and CT scans and other radiology services.

Recently, William Beaumont Army Medical Center (WBAMC) entered into a joint venture with the El Paso, Texas, Veterans' Administration Outpatient Clinic. This agreement currently allots forty inpatient beds at WBAMC for VA use. Future needs may increase this number to 105 beds. The Veterans' Administration is considering construction of a new ambulatory care center adjacent to WBAMC which would replace an aging facility in El Paso and encourage further sharing of services between the facilities.

One of our most successful peacetime health care initiatives of recent years is the Primary Care for the Uniformed Services program (PRIMUS). It was developed and implemented by the Army in response to Congressional directives to improve access and convenience for the beneficiary, and to increase workload accomplished in military medical facilities as well as to provide an alternative to CHAMPUS. The concept utilizes contractor operated primary care clinics as satellite facilities to existing military hospitals. The first PRIMUS clinic opened in Fairfax, Virginia, in 1985. The Army currently has four PRIMUS clinics in operation, three in Northern Virginia and one in Savannah, Georgia. Contracts to open six more clinics in 1988 were recently awarded. These new clinics will be located at Ft Bragg, North Carolina; Ft Benning, Georgia; Ft Hood, Texas and Ft Ord, California.

PRIMUS program objectives are being met. PRIMUS has proven to be a cost effective method of increasing direct care capability. The contracts are competitively awarded and keen competition in the ambulatory health care marketplace has helped ensure that PRIMUS costs remained extremely low in comparison to CHAMPUS. In fact, our most recent contract experience demonstrates that, on the average, unit cost in the new clinics will be some twelve percent lower from that in our initial contracts. Currently, PRIMUS provides primary care at a cost at least sixteen percent less than the government cost of a CHAMPUS outpatient visit. Since these clinics are part of the direct care system, the beneficiary does not cost share at a PRIMUS clinic.

The PRIMUS concept has been extremely well received within the Army as well as by the other Services (NAVCARE and Air Force PRIMUS clinic initiatives). Patients have been pleased and excited with these primary care clinics. We need your support to continue this initiative.

The AMEDD is also involved in a demonstration project in Europe to obtain urgent medical care for soldiers and their families stationed in small communities where 24 hour a day clinic operation is uneconomical in terms of staffing. Under this arrangement, the local clinic operates at full staff during normal duty hours to accommodate the needs of the community while agreements with local German hospitals have been negotiated to provide care to our beneficiaries when the military clinic is closed. Reimbursement is made by CHAMPUS without patient co-payment. The project is expected to improve the morale of military families in Europe and ensure that quality health care is available without additional cost to active duty members and their families.

As you know, responsibility for funding CHAMPUS benefit claims was transferred to the Services this year. The AMEDD welcomes this challenge. We fully support the philosophy that the MTF commander should be responsible for the health care services provided to the beneficiaries residing near his facility. In this regard, we are pleased to learn that, next year, OSD billings for CHAMPUS services will be submitted to the Services on a catchment area basis rather than under the current individual service sponsor method. Likewise, during this transition year, the conservative concern of the Congress as expressed in the appropriations report which "fenced" these funds solely for CHAMPUS costs is understood. However, we are hopeful that the restrictions on utilization of these medical care funds will be removed in order to permit their application to improve capabilities within the direct care system, such as additional staffing or services. These two changes will further stimulate incentive to better manage the total health care workload as well as more flexibility to provide cost-effective health services.

The AMEDD is working towards the goals established by the Assistant Secretary of Defense (Health Affairs) under Project Restore to contain CHAMPUS workload at the FY 1986 level. While this effort is somewhat hampered by competing priorities and budgetary constraints within the Army, a review of our first quarter statistics for the number of CHAMPUS non-availability statements issued by Army facilities indicates a 5.5 percent decline from the last quarter of FY 1987. Obligations for CHAMPUS claims are also running slightly below the initial projection.

Efforts are underway to develop and begin a Catchment Area Demonstration as called for by the 1988 Authorization Act. Under this concept, the local MTF commander will be responsible for providing all health care services to eligible beneficiaries through either the direct care system or under CHAMPUS. The objectives of this demonstration are to provide the local commander with the resources and authority to develop the most cost-effective sources of care within his catchment area, to pursue alternative delivery mechanisms to augment the services available from the direct care system, and to improve beneficiary access to care by exploring all available options to meet their health care demand.

The concept is being designed to be conducted at at least two sites. Current programs which afford staffing and service augmentation at the MTFs will continue to be employed. These include the DoD/VA sharing agreements and the Military-Civilian Health Services Partnership Program. Other contracts and negotiated agreements with the private health care sector will also be pursued. An enrollment system will be established for each location. To encourage 100 percent enrollment an alternative system will be included at one site. Each activity will employ the "health finder" concept to assist beneficiaries referred to civilian providers. Concurrent evaluations as well as retrospective review will provide for control and proliferation of positive aspects of the demonstration.

Last year, I reported to you on the efforts of our AMEDD Quality Assurance (QA Program and the results of an audit of all active and reserve component physicians. These actions are continuing in our efforts to ensure that quality care is provided to all our beneficiaries. Our program is based on rigid enforcement of confidential peer review at each military medical treatment facility under the explicit and direct oversight of the Medical Corps commander. The overall Quality Assurance Program entails patient care assessment, provider credentialing, utilization review, and risk management.

Results from the 1986 DoD contract to the Commission on Professional and Hospital Activities of Ann Arbor, Michigan, for external civilian peer review have recently been received. I'm pleased to report that of 16,000 separate Army cases (primarily high risk categories) reviewed by this agency for substandard care, only 19 have been reported to date to represent a possible major deviation from the standard. All of these cases had previously been identified by the MTF under their ongoing QA program. Although we would prefer not to have any such cases, the fact that the number is small and that these cases had previously been identified by internal review attests to the efficacy of our QA program.

The AMEDD's research arm, the Medical Research and Development Command, has five research programs with eleven research units which focus on the health and safety of soldiers. Validated research efforts are focused on Medical Biological and Chemical Warfare Defense, Infectious Diseases of Military Significance, Combat Casualty Care, Military Systems Health Hazards and Combat Dentistry. The Army has been designated by DoD as the Executive Agent for Medical Biological and Chemical Warfare Defense and by Congress as the lead agency for Infectious Disease and Combat Dentistry research.

The research programs seek to improve ways to protect soldiers from infectious disease they might encounter through deployment to endemic areas or exposure to biological weapons; to improve medical care on the battlefield by placing the best tools and techniques in the hands of the combat medic; to protect our soldiers from military environmental health hazards and from the health hazards posed by our own weapons, equipment, and vehicles. Other important areas include maxillofacial surgery and wound infection control; medical protection of soldiers from the effects of chemical weapons, and improved medical management of chemical casualties.

Novel approaches to vaccine development employing biotechnology and other advanced technologies are a priority. A recombinant vaccine to protect against shigella and dysentery has been developed and field-tested with promising results. Studies of immunomodulatory drugs and antiviral drugs, such as ribavirin, aim to evaluate drugs that will provide immunity or protection against whole classes of infectious agents. Hundreds of compounds have been screened and tested for effectiveness against chemical warfare agents. An individual resuscitation device, prototype vital signs and heart rate monitors, and soldier/patient decontamination materials are in development.

Several products are being developed to aid surgical management of battlefield casualties. A skin replacement, a resuscitation fluid replacement system, a field oxygen generating system, blood substitutes, and biodegradable polymeric bone implants and biodegradable fracture fixation devices are examples of other innovative products designed to meet Army requirements. Human tolerance studies of soldier performance of military critical tasks are conducted under environmental stresses most likely to occur on the battlefield. The types of stress include heat, cold, altitude, sleep deprivation, sustained combat operations, many forms of psychological stress, and stresses generated at the man-machine interface such as noise, vibration, and exposure to toxic gases. Pharmaceutical intervention, nutrition and physical fitness, are among the major research thrusts to counter these stresses.

In conclusion, the Army Medical Department is proud of its service to the nation in peace and war. We are committed to providing quality health care to the soldiers and their families that we serve. The delivery of health care in the future will be challenging - not only in terms of patient needs and provider expectations, but also in terms of cost and budget considerations. The continued support and cooperation of the Congress is necessary to meet these challenges and ensure quality health care for our beneficiaries.

Mr. Chairman, that concludes my prepared statement. I will be happy to answer any of your questions.

Senator **Glenn**. Thank you, General Becker.

OFFICER CUTS

We have raised this issue of the officer cuts. Let me just ask this question across the board here. General Chesney, how many medical officers of any kind have been cut out of Air Force strength as a result of the officer cuts mandated by Congress?

General **Chesney**. We lost about 72 officers last year and were projected to lose 300 this year. We are working that with our personnel people and trying to impress on them what the intent of Congress was.

But the word has been if we do not take that 300 then we will lose 300 pilots or other people. So the denominator and the numerator are both the problem. But that is the numbers.

[Additional information supplied for the record follows:]

Department of the Air Force,
Headquarters, U.S. Air Force,
Bolling AFB, DC, March 31, 1988.

Hon. John H. Glenn,
Chairman, Subcommittee on Manpower and Personnel,
Committee on Armed Services,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: I would like to clarify some of the confusion on officer reduction which occurred at the hearing March 29, 1988, before your Subcommittee on Manpower and Personnel. The original one per cent cut levied for 1987 resulted in a reduction of 125 Air Force Medical Service officers. At the time of the original legislation, there was no language exempting medical personnel.

Prior to the allocation of the FY88 reduction, the Air Force anticipated a two per cent cut in end strength, of which the Medical Service portion would have been 300. However, based on the Congressional language accompanying the FY88 Authorization Act, we have not taken, nor do we intend to take, Medical Service officer strength losses in personnel or authorizations as a result of the FY88 reductions.

The Air Force plan is to convert 500 officers in FY89, another 500 in FY90 and then to eliminate 2100 in FY90 as a result of force structure related programmatic reductions. None of the officer conversions will be in Medical Service officers. This represents a cut of about 6600 officers or 6.1% since FY86. With the medical community excluded from the baseline, the Air Force plan represents a 6.9% line officer reduction since FY86.

Thank you for your assistance in exempting medical personnel from the cuts and thereby avoiding false savings and decrement in readiness. I appreciate your continued interest and strong support in helping military medicine more forward in its readiness capacity and ability to provide care to a military beneficiary population growing in size and complexity of care required.

Sincerely,

Murphy A. Chesney,
Lieutenant General, USAF, MC,
The Surgeon General.

Senator **Glenn**. Admiral, how about in the Navy?

Admiral **Zimble**. The Navy has been very protective. They recognize that what we do not buy in the direct care system we will pay double for in the CHAMPUS system, and they have been preserving our end strength. In fact, we are the only community in the Navy that is being allowed to grow more billets. So I am very pleased.

Senator **Glenn**. You have not had officer cuts?

Admiral **Zimble**. No, sir; we will experience a growth in 1988 and 1989. But it is at the expense of the remainder of the corps, since we are in the denominator. That to me is a real problem.

Senator **Glenn**. I understand that.

General Becker.

General **Becker**. Yes, sir; in 1987, in the Army Medical Department, we eliminated 150 officers, of which 6 were medical corps, and 51 were nurses.

In 1988, we lost no officers because of the report language. However, it is interpreted by our people that is for 1988 only, and it is planned to have a larger cut for 1989 of about 600 spaces.

Senator **Glenn**. The 1989 bill is what we are working on now, of course. So it does not necessarily follow that that will be the case.

I do not know, how the Air Force went ahead with this General Chesney, unless Dr. Mayer can give us some example, because this is what the report language for 1988 states, and I quote:

> In executing the fiscal year 1988 cut, the conferees expect the Secretary of Defense to exempt medical personnel. Because current shortages of doctors and nurses represent war-stopping shortfalls, the conferees believe the medical specialties must be sheltered.

So if there has been medical personnel taken out, it was not the intent of Congress to do that and in fact specific directions were given to the Secretary of Defense not to do so.

Can you tell us why the Air Force took any cuts?

Dr. **Mayer**. No, sir, I cannot. It was not at our direction.

Senator **Glenn**. Did the Air Force do this voluntarily, General Chesney?

General **Chesney**. No, I think it came from the Department of Defense, not really knowing whether this was medical personnel, doctors only, and there have been no doctors cut. When you say "medical officers," that sort of thing, is it purely doctors or is it all officers in the medical service?

Senator **Glenn**. The wording is very clear. The words are "medical personnel."

General **Chesney**. Yes, sir. I have read that. In other places in there it says "nurses and doctors" somewhere.

Senator **Glenn**. In the next sentence, it says, the first exemption is: "In executing the fiscal year 1988 cut, the conferees expect the Secretary of Defense to exempt medical personnel."

It then goes on to say: "Because current shortages of doctors and nurses represent war-stopping shortfalls, the conferees believe that medical specialties must be sheltered."

That second sentence put an emphasis on doctors and nurses, but I do not see how it could possibly be misinterpreted out of the first sentence when it says "exempt medical personnel."

General **Chesney**. I agree with you and I have argued that.

Senator **Glenn**. What you are saying is that no doctors or nurses are gone then, but instead some of your supporting administrative people in medicine are? Is that where you took all your 72 and 300?

General **Chesney**. Yes, sir. I lost 1 doctor, 18 dentists, if I remember, and the rest were nurses, biomedical sciences corps, and medical service corps.

Senator **Glenn**. They were let go pursuant to this legislation or volunteered to get out?

General **Chesney**. Oh, no. Pursuant to this legislation.

Senator **Glenn**. You lost actual medical doctors?

General **Chesney**. I lost one, and I do not know how that happened. I tried to find out.

Senator GLENN. Well, whose interpretation was this, then? You said you got that from SECDEF. Turn left and ask Dr. Mayer how it occurred.

General CHESNEY. The personnel people are the ones that manage this, not Dr. Mayer. This runs through the personnel channel, Secretary of Defense to Air Force personnel people. This is the total number of officers you have, therefore your 1-percent cut or 1½-percent cut that the Air Force took is this many, and of those so many in each category.

That is the way it ended up.

Senator GLENN. I submit it is being misinterpreted.

General CHESNEY. And we appreciate your support on this. We will try to get it changed.

Senator WILSON. Mr. Chairman, that really relates to a question that I was going to ask later on as to who it is as between Dr. Mayer and Mr. Green who has jurisdiction in the area of prescribing levels of medical manning. And when we asked him, he said Dr. Mayer, which is the way it should be actually.

Dr. MAYER. But it is not. We do not prescribe levels of medical personnel. It is not within our authority to do that. We can recommend, but the decisions as to the distribution of manpower authorizations among competing elements are made by the services themselves.

[Additional information follows:]

As members of the Secretary's staff and the Defense Resources Board (DRB), Mr. Green and I are active participants in the DOD Planning, Programming, Budgeting System (PPBS). We review manpower programs and budget requests and raise manpower issues when indicated. Our recommendations for adjustments in manpower programs or budgets are deliberated in the DRB and ultimately decided by the Secretary. While Mr. Green is concerned with all manpower and personnel issues, I am naturally mainly concerned with the medical personnel policies and manning levels. I believe the system is a good one and that I have been given the authority necessary to carry out effectively my responsibilities within it.

Senator WILSON. It seems what has happened is that the Air Force took guidance and the Navy and the Army did not. I think the Navy and the Army correctly understood what we had intended, and somebody apparently from Green's shop told the Air Force that that meant they should get rid of a doctor and 21 dentists.

That is not what we meant.

General BECKER. General Ono, our DCSPER, took it upon himself to interpret that for 1988 to mean no medical personnel and he said there will be no medical personnel cuts. So he himself understood that, regardless of what other guidance he got.

Senator GLENN. In the O&M accounts for 1988—and I know we are on the 1989 budget for this year, but in the 1988 budget it has been required of the military services, to make some tough choices and that was a result of some of the agreements back and forth with the administration.

But in the medical area, cutbacks are being considered that would curtail the filling of prescriptions for certain beneficiaries, reduce the availability of direct care to military treatment facilities for dependents and retirees, and perhaps result in some cancellation of contracts for civilian operated clinics.

As I see what this would do is push more care to CHAMPUS, which is already $645 million in the red in this fiscal year. So I do not know how we make a rationale for those cuts.

Secretary Mayer, would you comment on that? Are we just pushing things out of one pocket and into the other?

Dr. MAYER. It was clear that that would have been the result of those proposals which you just mentioned. That occurred within Army's Health Services Command, and I think General Becker can explain what happened. And I think also that has been corrected.

Senator GLENN. General Becker.

General BECKER. Yes, sir. What happened, of course, as I mentioned in my statements, is that we got a good 1988 budget from the Congress with a little growth in it to cover some of the PRIMUS clinics. However, there were several deducts that we had to pay:

Foreign currency bill-payers, $20 million; CHAMPUS reprogramming, the Army withheld $21 million; force structure reduction; absorb accession drug testing in MEPCOM; and some other items. These were withheld from the medical budget, putting us about $40 million below 1987 level.

This took away all discretionary funds, of course, and got us to the point that we either had to reduce care at our hospitals for the families and dependents of retired, or to cut the civilian prescriptions.

And may I describe what I mean by civilian prescriptions?

Senator GLENN. Go ahead.

General BECKER. We do now fill in our hospitals prescriptions written by civilian practitioners for CHAMPUS patients and Medicare patients. In other words, if one of our beneficiaries has a prescription from their family doctor, we fill it for them.

Senator GLENN. Even though it is a civilian family doctor off-base?

General BECKER. Yes, sir. He has to be registered, of course, with our pharmacy so that we recognize his prescription. But we fill those, and of course there are many very elderly people, widows, and folks who do not have much, that are dependent on this to maintain their health care.

This is a drastic step, but it is a place that we can save money and it is not something that we are obligated by statute to provide. Now, as I mentioned, we were able through serious negotiations with the Army staff and DOD comptroller to get $23 million yesterday. We are sending the message out this afternoon that we will rescind that directive to cut the civilian prescriptions. So by noon tomorrow, it should be on the street that that will be rescinded.

Senator GLENN. OK.

RETIREMENT TRANSITION COUNSELING PROGRAM

General Chesney, at our hearing last week Senator Symms, who is a member of the subcommittee, could not be here and he asked me to raise a question, which I did on his behalf. He questioned the need for a retirement transition counseling program the Air Force has funded, which comes to around $4 million a year.

I know you can pick different things from out of the budget and compare them with other things, but would you not think that medical care is more valuable than transition out counseling at the tune of $4 million a year? That will pay for quite a number of doctors.

General CHESNEY. That is a personnel program that tells our people which option to take in their retirement pay programs, where to get care, that sort of thing. I would imagine the personnel people feel that is very important. But I think medical care is every bit as important also, sir, yes.

Senator WILSON. I must say that that is more elaborate than the career counseling I was given on leaving the Marine Corps. They informed me that the skill that I had acquired as an infantry officer was equivalent to the civilian occupation as armorer, which led me to believe that I could probably find employment in one of two places, either with the police department or organized crime.

Senator GLENN. Now you know why he ran for Mayor of San Diego. [Laughter.]

Senator WILSON. As a Republican.

General CHESNEY. Let me say one thing. There are many things you will find in the Air Force budget this time that are probably less important in my opinion than medical care, but to transfer these over is going to be very hard to do. You see, we have to come back to the Congress this year and be able to reprogram.

And I need $55 million worth of reprogramming. And the Air Force is looking for things like that that they can reprogram into my budget, and we will soon come to the Congress and ask for their permission to do that. And we would appreciate your support.

Senator GLENN. My time is up and so I will turn it over to Senator Wilson. But I do think you need to go back and rescrub some of these accounts and see what can be transferred over, and I am sure we could approve in this committee, an authorization to take some of this money and reprogram it.

It is not frivolous to give people career counseling. Every service has something like that, as I understand it. We had questions on that particular issue last week.

But when we are cutting out things that are really absolutely vital, it just seems silly to be spending money on other things while at the same time we cut out medical accounts, medical personnel, and equipment, and prescriptions and things of that sort.

Go ahead.

Senator WILSON. Thank you, Mr. Chairman.

LEVELS OF MANNING

Let me pick up where we left off a moment ago, having now established that it is Assistant Secretary Green's office that has the final responsibility for prescribing levels of manning, including medical manning.

I am quite serious when I say that when we asked him questions about the level of medical manning, he did indicate that he thought we should deal with Dr. Mayer on those matters. And I assume by that he was indicating, and properly, that he feels that you have the expertise in what is the required level of manning.

That being the case, can you describe for us, Dr. Mayer, what the process is of mediation between your two offices that actually determines what the manpower authorization should be of, let us say, for the medical mission of the Reserves?

Dr. MAYER. I wish I could, Senator Wilson. There is not exactly the kind of process that I think you have in mind. Force Management and Personnel establishes the total numbers of people that any of the communities, such as the medical community, are going to have and whether they are in the Reserve, although I assume they work with the Assistant Secretary for Reserve Affairs in doing this.

We determine within that total and, in collaboration with the Surgeons General, we try to establish the appropriate numbers of different kinds of people. But my office does not go to Jim Zimble and say: OK now, you have got 10,000 medical personnel; of those, 3,000 should be doctors and 8,000 should be nurses, and so on.

So that is what I was referring to earlier. There has never been a deliberate process that said, if the Armed Forces are 2.2 million people, how many of what kinds of medical people as a minimum are required to give them the health care they need.

And the reason is that there are too many variables for such a process to work. One is that the health care they need keeps changing. Another is the quality and the character of the population keeps changing.

We are now using a system for manning our hospitals, for example, which is the Force Sizing System containing the joint operations and planning system medical planning module. But that is, at this stage of its development, still a fairly crude instrument. But at least all of us are using it within the services to determine the staffing requirements.

It is a long, evolutionary process to determine appropriate staffing requirements. I am sure that Mr. Green figured that we just somehow told people how many medics we needed and that they try to fit that in.

But that is not true, we do not. And we have not been asked. We are however, working on manpower staffing standards on our own initiative.

Senator WILSON. Where do the numbers come from, from the services?

Dr. MAYER. Well, what the Army calls table of organization and equipment lists for various combat units, operational units, all contain, based on very careful wording down at the Health Services Command.

They determine how many physicians should be in an infantry battalion, for example. Those are all set.

Senator WILSON. I understand that. That is fairly easy. Now let me ask, how about, though—who is it that really makes the determination as to what the level of medical manning will be at a particular military medical facility when that decision obviously has implications in terms of the number of beneficiaries that may have to utilize CHAMPUS?

Dr. MAYER. That is the purpose of the Force Sizing System containing the medical planning module. And in the past, I think that the military treatment facility commanders let it be known to their higher headquarters what their caseload was and what kinds of demands were made on them. They applied through the personnel sections of their medical departments for additional physicians or additional nurses or other health professionals.

And within the limits of the personnel available in the Health Services Command or in the Navy's Medical Command or in the Air Force Surgeon General's office, they doled out the people asked for by the hospitals.

But this has never been done on the basis of an actual planning document that gives appropriate ratios of providers to patients. For example, if you have a certain number of patients that are retired at a certain age, you should have a certain number of a certain kind of doctors.

It has been a demand-response system, and each of the medical departments has had to compete for a piece of the total personnel strength of the service. For example, in the Air Force, it would be that number of personnel the Chief of Staff in the Air Force and his advisers are willing to turn over to the Medical Department.

A couple of years ago I went to see Bernie Rogers in SHAPE and explained to him that we definitely had to have more medical staff in Europe. But you know, we are not just talking about doctors.

Depending on the kind of unit and depending on the patient population, you need a certain number of doctors and a certain number of nurses in relation to those doctors and a certain number of enlisted corpsmen and technicians to support them. Otherwise you have doctors underutilized or doctors typing their own notes or doing wasteful things.

Senator WILSON. Can doctors read their own notes?

Dr. MAYER. Rarely, rarely. There is a certain protective aspect to that.

But in any case, to reach the point of our conversation, General Rogers said to me: I agree with you 100 percent, we need more medical people; but please tell me who I should send home—tankers, airplane drivers, helicopter pilots? Because you cannot have any more unless I give up something else, and I cannot give up anything else.

So I said, well, eventually the three Surgeons General and I are going to have to go to the Congress and say, we need—what Jim Zimble said a little while ago: We really need an exemption for the medical departments from the overall personnel ceilings, both in overseas theaters and services-wide, because you cannot determine, in any logical or intellectually defensible way, the number of medical people you need to deliver health care by simply striking what sounds like a fair proportion of the total strength of the Armed Forces. That does not make any sense.

Senator WILSON. OK. Let me move on to another subject.

Senator GLENN. Could I ask just one question on that?

Senator WILSON. Of course.

Senator GLENN. Does your office monitor the medical requirements of all the services and then present them to us? Do you monitor them or do you just rubber stamp them?

Let me give you a little background on this whole officer cut thing. We have had nothing but a 3-year problem on this, and it has been a big one. I wound up over in a tank with the Joint Chiefs one day talking about this, as a matter of fact. Yes, it got to that level.

And I was happy to present it from this end because we could not get information. We are finally getting it together. With Mr. Green's office now, where they no longer just take all the personnel accounts rubber stamp them and send them over here, and if questions were asked they would say: Oh, I do not know; that is what they asked for, basically.

Now, we have finally got that straightened out, and I am beginning to wonder if we have the same problem here in your shop, as to whether you just take everything from down below and say, well, this is what they asked for, it must be right.

Do you coordinate? What we would like to do from this side of the river, not just for convenience sake, not just for one stop shopping purposes, but we would like to rely on the Office of the Secretary, namely you, to validate these things to make sure that the Air Force is not running off on some officer cuts, that the Navy and the Army are not, or vice versa.

We rely on your office to put those things together. Now, is that not the way it is being done?

Dr. MAYER. I guarantee you—and the Surgeons General here will vigorously support this fact—we do not simply rubber stamp their requirements.

Senator GLENN. There are some different interpretations being given to Congress' intent here that are not the same for all the services, that is obvious.

Dr. MAYER. That is true, Senator Glenn. But again, the execution of the intent of that legislation was not assigned to Health Affairs. It was not given to the Medical Departments to do. It was given to the Force Management and Personnel people to assess the effect of the officer reductions and report to Congress. They did it, basically, without consulting us, because of the short time they had to report.

We were told, as I think each of these gentlemen's staffs were told, after the fact, what they were going to get as described in the report. Now, we argue with that process; but understand the necessity for meeting the March 1 due date. When we finally got those figures, we argued with the advisability of the proposed reductions to medical personnel.

Senator GLENN. Is not the Secretary of Defense in charge?

Dr. MAYER. Of course he is in charge, sir.

Senator GLENN. Well, if the Secretary of Defense is to carry out the language that I indicated there a moment ago and if you have differences and you are saying the services went their own merry way, even though the Secretary of Defense thought there were some other ways they should go——

Dr. MAYER. We disagree with the interpretation that the exemption language there was restricted to physicians or at best to physicians and nurses. We did not prevail, and therefore——

Senator GLENN. You mean you did not prevail with the Secretary?

Dr. MAYER. No, the decision on officer reductions was not made in the presence of the Secretary. Normally, any major decision on manpower is considered by the entire body of the leadership of all the armed services—the Defense Resources Board—during the

POM preparation process or the program budget decisions process, which ultimately all have to go for final adjudication to the Deputy Secretary of Defense.

Health Affairs plays in that and we can argue our case during this process, but that does not guarantee that we will prevail.

Senator **Glenn**. Well, I have jumped into Senator Wilson's time here. I did not mean to take as much time, and I will extend his time by that amount.

All I can say is, as far as I know no one called over here for an interpretation of this, and it would have been very, very simple. It is in law right there. I think it is very, very clear.

If anyone had asked anyone over here about this, we could have given a very clear interpretation of what was intended.

Senator **Wilson**. Mr. Chairman, I think rather than taking more time, what we should do is ask the staff to find out where this occurred. It seems pretty clear that it could have happened in only one of two places, either in Mr. Green's shop or in Air Force personnel.

I have a suspicion that it was the latter, simply because it looks to me as though the three services got the same instruction and the Air Force personnel made a different evaluation of it.

In fact, I think when he was over here recently General Welch said something about having to cut doctors, which I was not in the room at the time, but that seemed strange to us. I understand his not wanting to cut pilots. On the other hand, that instruction that we gave was perhaps suggesting that they should cut some financial officers rather than doctors.

General **Chesney**. Mr. Wilson, because of testimony before the House a couple of weeks ago, I think we can get this cleared up and the Air Force will not cut us, and particularly with your support today, I think it will be taken care of.

CHAMPUS REFORM INITIATIVE

Senator **Wilson**. Let us move on to another subject. I think that this is useful but let us move on. If I might, Dr. Mayer, get from you just kind of a general update as to where we are on the CHAMPUS initiative, CHAMPUS reforms initiative.

I know that Foundation Health Corporation has won the competition for the demonstration contract. Where are we in the actual implementation?

Dr. **Mayer**. First let me say that we would not be anyplace if it were not for you and Senator Glenn, and we thank you for that.

We signed a contract, as you know, with Foundation Health Corporation of Northern California. They operate a health care plan that takes care of a large number of State employees.

They have formed a consortium with the Queen's Health Plan, the largest health plan in Hawaii, to take care of delivery of services there, with a combined organization of Aetna Life Insurance, with the Voluntary Hospital Association of America, and, in addition, that group has added Blue Cross-Blue Shield of Washington and Alaska, which is one of our better fiscal intermediaries.

So these truly outstanding groups got together and made us a proposal at a fixed price which we believe will start out by saving at least 5 percent over the expected cost under CHAMPUS, and before the end of the contract, before the next 3 to 5 years, should save us 10 percent over the expected CHAMPUS cost. It should also increase access and reduce the cost to the CHAMPUS beneficiary, as well as to the Government, ensure a quality assurance program for CHAMPUS which never existed, and increase the benefits and eliminate all costs for the lowest four pay grades. E–1 through 4's do not pay anything for standard outpatient care.

It involves a voluntary enrollment element. It is not mandatory. People can still use conventional CHAMPUS if they are tied up with a doctor with whom they do not want to break.

And the services under that contract will begin August 1. So we are very hopeful. It may sound like a small step, a 5- to 10-percent reduction, but 10 percent of several billion dollars sounds like a lot of money to me.

Senator WILSON. It does to me. And while you are throwing bouquets, I think we should give credit where it is due. This was your idea and one that made a lot of sense to us.

Let me just ask you a question. Have you received inquiries either from individuals, from organizations, particularly reserve officer organizations or retiree organizations, that have indicated a misunderstanding of how the initiative, the reform initiative, will work?

Dr. MAYER. Well, yes. We had what I could modestly describe as a blizzard of comments and protests and concerns over how people thought we were trying to change the system.

Senator WILSON. You think there is now a clear understanding?

Dr. MAYER. I think there is a wide understanding. There is always 10 percent that do not get the word, but mainly I think people are quite helpful and enthusiastic about it.

DATA MANAGEMENT

Senator WILSON. Let me ask you next about the other reform that we have seen initiated, and that is the one having to do with the data management. Now that the Department has been able to assign a development contract for a comprehensive data management system, a system that was identified as being required almost a decade ago, could you give the committee a similar update with respect to your plans for moving ahead on acquisition of that system?

Dr. MAYER. Yes, sir. We had very extensive operational testing and extended benchmark testing among three surviving competitors to put this comprehensive computer system for medical information in our hospitals. One of the three competitors scored acceptable or superior on every technical point in the competition.

And it turned out that that same bidder was far below the other two bids in cost, so we signed a contract with them, I think on March 4. And this was after a 30-day intensive review of the entire procurement process; and it is the first time in modern history, to the best of my knowledge, that we actually got a laudatory report from the General Accounting Office, in which they said it was a darn good procurement and it was fair and we could not have done anything else.

So that means that we will start this year, immediately as a matter of fact, deploying to 10 of our important hospitals in all three services, a total of 10, to install this system.

And what we had hoped was that simultaneously we would be making progress, and we have made some, on something called JOTMIS, Joint Theater Medical Information System, for the battlefield information system. This is none of the elaborate, gold-plated stuff. You can enter the system, follow the patient all the way back, whether he is at Walter Reed or Letterman, and take care of him.

Senator WILSON. Dr. Mayer, thank you.

V-80 CENTRALIZED COMPUTER SYSTEM

We have about 5 minutes to get over there. When we return, I would like to ask you whether or not, given that status, you think there is need or really justification for going ahead with a competing proposal, the so-called V-80 centralized computer system.

Dr. MAYER. Yes, sir, I would be happy to.

[Recess.]

Senator GLENN. The hearing will resume. Senator Wilson will be back in just a moment. I understand Senator Dole is announcing his withdrawal, so Senator Wilson went up there for just a minute, so he will be back shortly.

MEDICAL MANPOWER IN THE RESERVES

The next subject I would like to get into is one that comes up in every one of our meetings. It is one of the most important things that we address, and we need to get into it. It is distasteful, but we have got to do it.

I think the most staggering problem in medical manpower is in the Reserve forces. Dr. Mayer, your plan indicates that the Reserve components are relied on to provide 78 percent of the total force requirements for critically short physician specialties—general surgery, orthopedics, anesthesiology—and 76 percent of the total requirement for nurses.

Yet, additional figures from your office indicate that the Reserves are manned at only 29 percent of their critical wartime physician requirements and 34 percent of their nurse requirements. Now, those are not even close, obviously. So I am wondering how realistic your plan is that indicates you will solve most of the problem by 1992. And I do not know what the prognosis is on nurses.

But what is the situation? What we are doing about it, and what actions can we take here to help you with this situation?

I have referred to this repeatedly as a potential war-stopper. I will get into the Regular forces here in a few minutes. But I wanted to make sure we got on this Reserve thing, because if we really got into any big conflict where we could not rob medical forces from one service to another through a temporary time period, we would literally be in very, very bad shape.

Would you address the Reserve situation, what we are doing about it, and how we can help at this end of the Avenue?

Dr. MAYER. Yes, sir. I would like to say that since 1981 we have shown significant improvement in the critical skills, increasing overall defensewise by 27 percent over what we had in 1981. So there is some progress, but that rate of progress, as you indicate and as I agree, is not satisfactory.

We have done a number of things that are in progress. Today, in fact, before coming here I went to a meeting of 200 deans of schools of nursing from all over the United States and attempted to enlist their support for further publication of the options and the opportunities that are available for nurses in the Reserve forces of the United States. And they were very responsive and I think very interested.

We have started a massive, 200,000 personal letters, direct mail campaign utilizing the assistance of the American Medical Association, the Association of Nurse-Anesthetists, the Association of Emergency Room Nurses.

Senator GLENN. But we have done those things before, have we not?

Dr. MAYER. No, we have previously done nothing at this level at all, this massive direct mail campaign with manned telephones and reply cards and articles in professional journals. All take considerable time to get going and get through the peer review of the journals and so on.

So the direct mail campaign just began. All the services participated in funding it. There is new emphasis and I think each of the Surgeons General can give you some report on the new emphasis for Reserve requirements that are now under way.

We have two programs prescribed by the Congress: one was a stipend payment program for people in training to encourage more people to enter the kinds of training that will supply the people we need, as well as a loan repayment program for helping to pay off the tremendous indebtedness that most physicians incur—I think they average now around $40,000 debt when they finish medical school.

Senator GLENN. You have a scholarship program with required service after, like we have for pilots and so on?

Dr. MAYER. Yes.

Senator GLENN. Is that working?

Dr. MAYER. Oh, that works beautifully. In fact, that supplies over 70 percent of all of our new physicians.

Senator GLENN. But we have not been able to expand that enough to——

Dr. MAYER. We now have authority, which is new this year, to pay at least stipends during medical school, not the whole tuition, not the total scholarship, but pay stipends. And the obligated service can be served in the Reserve. This is new.

You see, before our scholarship program was only for active duty. And we are facing a problem with it. But we have had that expanded now to where at least a stipend will result in a period of obligated service in the Reserve, and we think that will attract a very large number of people. At least we hope so.

As for the scholarship program itself, we do not yet have authorization to require Reserve duty in repayment for a full scholarship.

Senator GLENN. Can you do that or do you need legislation for that?

Dr. **Mayer**. We would need legislation for that to take place. And if we did get such an arrangement in place, it would still be desirable to require some active duty probably to make sure that those people are sort of bonded with the services, and then a very expended period of Reserve time.

We think those initiatives, the stipend program, the loan repayment program, the direct mail campaign, all of these we believe will significantly cut into the Reserve shortfall.

Senator **Glenn**. Have we gone too far in the assignment of this mission to the Reserves? Should we be focusing a little bit more on the Regulars and pulling some of this mission back from the Reserves? Or is the Reserves a proper place for it?

Dr. **Mayer**. It is my belief that the Reserves is the proper place. By and large, for medical officer personnel we have what I think—and I am willing to be contradicted—I think that we have roughly the number on active duty that we can justifiably use right now. That is, in terms of the amount of space that we have and the number of hospitals that we have, we just cannot take a huge additional group of doctors and put them on active duty, because we would not have sufficient space for them to work.

There are exceptions to that, of course.

Senator **Glenn**. Navy will give you some space out of Bethesda, I guarantee you that.

Admiral **Zimble**. All 32 hospitals, sir.

Senator **Glenn**. Could the rest of the panel comment on the Reserves and your manning levels in the hospitals and so on? I had Phil Upschulte, my administrative assistant, and Patty Watson, staff on the subcommittee go to Bethesda Naval Hospital the other day to talk with some of the people out there for a full day of briefing.

They are actually closing some of the available space. It has equipment, it has beds, it has everything, while you are at the same time turning people away down in the outpatient clinic. One of the doctors that I go to for my annual physical tells me that there is only one secretary, I believe, to serve 20 some doctors. After he completes a physical he must sit and write out all his own reports instead of dictating them and getting on to the next patient, like he would like to.

Can we not correct this? And if this practice is going on at Bethesda, which is supposed to be the flagship of the whole naval medical fleet, what is going on out there in the boondocks?

Admiral **Zimble**. It is going on everywhere, sir.

Senator **Glenn**. Can we not correct that?

Admiral **Zimble**. We are working desperately to correct it. We get bound up with end strength ceilings both on the military side and end strength ceilings on the civilian side.

We work off the hired payroll, the OC 11 account, which is at ceiling. That does not give us enough civilians. The problem is that we are seeing a burgeoning workload as a result of state of the art medicine in terms of quality assurance, in terms of labor intensive state of the art, and various other factors that are causing increased demands for clinics, for clerical support, and for administrative support.

And at the same time, we do not have the bureaucratic flexibility, the fluidity to be able to move from one budget to another to provide for those resources.

I need more civilians and I need significant numbers of increased military. I estimate that I am 25 percent below what I ought to have in uniform today. And to get there, I cannot do it in 1 year.

Senator GLENN. We are speaking of doctors, medical people?

Admiral ZIMBLE. All medical department—doctors, nurses, dentists, medical service corps officers, physician assistants, corpsmen, and dental technicians, all of them, and civilians.

I am about 25 percent under what I should be. And in order to get there, I have got to do that in iterative steps. It is just not executable.

So far Navy has given me growth. They have given me billets. My problem is that billets do not treat patients. I have got to put people in those billets. Now, we are growing. I will grow 300 officers this year and about 700 enlisted billets, and that is what I am recruiting to desperately now.

At the same time that we are recruiting in the front door, because of the frustrations that you have mentioned in lack of clerical support, in doctors that do not feel fulfilled because they cannot get into the operating room because they do not have an operating room technician to help them or a scrub nurse to help them or an intensive care bed—I am sure you saw that we have 30 intensive care beds in Bethesda and we are using nine of them on a regular basis. And we are turning away coronary bypass surgery that we desperately need to do for readiness, to maintain the skills of our cardio-thoracic surgeons.

I cannot keep a cardio-thoracic surgeon if he is frustrated and cannot get into the operating room and cannot see the patient.

So I need nurses and operating room technicians, both at the bedside and in the intensive care areas.

Senator GLENN. How are you going to get this? What programs do you need changed? Do you need changes in legislation? Do you need changes in regulations within the Navy itself?

Do you need DOD changes that Dr. Mayer can help with? You are probably all faced with some varying degrees of this same problem. I see everyone nodding their heads there, so I guess this is true.

Apparently this is a problem plaguing the whole Department of Defense, Dr. Mayer. What are we going to do? Do we need legislation? Do we need reallocation of forces? Do you need a supplemental? What do you need?

Dr. MAYER. All of the above.

Senator GLENN. We have not had a request as of yet for this. Put it in.

General CHESNEY. I can tell you that we lost, for instance, 5,200 Reserve slots this year in the budget cut, and I am 15,000 short. But that is 5,200 I was going to go out and recruit for that I have had to stop recruiting, Mr. Glenn, because of the budget cut. I did not have the money to pay them.

Senator GLENN. Do you have clerical help problems like they have at Bethesda, where one secretary staffs 20-some doctors, and all of these doctors, after each patient, sit and write out their own reports, rather than dictating them and getting on to the next patient?

General CHESNEY. The Air Force will lose 20,000 end strength this year, which will make my enlisted manning about 94 percent of what I am authorized. So we can grow in doctors, but we need support.

Admiral ZIMBLE. Senator Glenn, if I might add, Navy has been behind the power curve of the other two services. So we will reflect a little sooner the degree of our anemia. We are more in extremis because we started out with smaller numbers and we have been there for quite some time.

But now I think these new constraints that are being placed on DOD are starting to demonstrate a degree of anemia in the Army and the Air Force.

Senator GLENN. In the budgeting process, Dr. Mayer, do you get whacked down at DOD level or at OMB level? Or what happens when it comes over here to us? We get it as a figure from the administration.

You obviously see these shortages here and know that something should be done about them, you live with it every day. Where do you get whacked down? You must have made requests that were beyond anything you finally got?

Dr. MAYER. Well, that is true. But within each service, each of the medical departments has to compete with all the other parts of the service for their piece of that service's budget. And that service's budget comes up to us and we get a whack at it.

If we thought that they needed more in certain accounts, we would say so and we would say so as part of the Department's programming, planning, budgeting process. We also would be able to say so during the Defense Resources Board's deliberations. That is a high DOD level debating forum for determining how the total DOD budget will look.

We support the medical department budgets at each point in the programming and budgeting process.

Senator GLENN. You must have some prerogatives within the Department for the distribution of military and civilian manpower, as far as money goes. You have some leeway there do you not?

Dr. MAYER. Very little. We do have some.

Senator GLENN. This is Fred Pang, professional staff on the subcommittee. Please go ahead, Fred.

Mr. PANG. What is authorized is total military end strength of the services, but the services have discretion on how that military end strength is distributed.

Also, those military and civilian personnel dollars are appropriated in the O&M accounts. So there is discretion there as well. So it is really up to the military departments to determine their priorities and to place end strength and dollars to those priorities.

Dr. MAYER. That is right.

Senator GLENN. Then why can we not get secretarial help out there, so we can make better use of the qualified people that we have?

Dr. MAYER. Because in the past, as these folks have argued their case as part of the budget deliberations within each service, they have succeeded only up to a certain point; and it has not been enough of a point to allow them a bigger share of the end strength or a bigger share of the budget sufficient to hire the additional people necessary to make full use of the doctors we have.

Senator **Glenn**. Well, any help we can give you over there we will.

I am sorry, General Becker, I did not get back to you.

General **Becker**. Yes, sir. We are under strength, too, under our requirements. And you know the difference among requirements, authorizations and people on board. Well, we are at 92 percent of our uniformed requirements. Our goal is to go to 95 percent and we have been on a ramp to get there until this last budget.

Civilian personnel is where the problem lies. We get to hire our civilian personnel out of the medical O&M budget. The medical O&M budget for 1988 was good when we got it, but it went to pot because of the withholds, and they withheld money to pay the civilian pay raise, to pay the CHAMPUS overrun, drug testing for accessions, and a few other things that were charged to our account.

And the revaluation, the problem with the mark versus the dollar. That was the $20 million. That reflects itself in the money to hire civilians.

We have had to remove civilians from our payrolls. We are losing them. So they take the guts out of our hospitals, as you well know. They are the people that support the physicians.

We are in fairly good shape as far as physicians are concerned, but the support personnel are where we are hurting. Now, for 1985, 1986, and 1987, we have had a steady small growth in civilian support personnel. In 1985 we were 5,000 man-years short to support our medical services, peacetime health care, mostly support people.

We were moving up on that shortfall and we got to it, until this year, and now it has nosedived because of the tight money, for the most part.

Dr. **Mayer**. What happens then, as they cut their support personnel, is that they are less able to see patients in the military hospitals. The military hospital then has to tell the patients to go outside for treatment. They go outside for treatment, and that drives the CHAMPUS costs way up, for which the military service still has to pay.

But they don't pay for it up front. They pay for it in response to having to cut back on the services they can give in the military hospitals. You push it down here and it jumps up twice as high over here.

Senator **Glenn**. We are already $645 million behind on CHAMPUS now.

Dr. **Mayers**. Yes, sir.

We had to stop paying CHAMPUS bills altogether last September. And while the hospitals and the doctors who were not being paid perhaps could afford that, a lot of the people who were not being paid were the patients themselves who had already paid the bill and were waiting for CHAMPUS reimbursement personally.

So that is why we have said to this subcommittee before that we are so grateful for your help. But CHAMPUS, as it was structured, was really out of control. It has to be made into a rational system, and it was not such.

But the root of the whole problem is not a great recruiting campaign for new doctors. It really is not at this point. Our problem with doctors is that we do not have quite the right mix of doctors that we would like.

But a deeper problem is the one that both Admiral Zimble and General Becker allude to, and that is that if a doctor is sitting there writing his own notes or going to the lab to find a report, he is not seeing a patient then. So his productivity goes down tremendously if he does not have support staff.

And the support staff competition, as they go before their leadership in each of the services, certainly is not as glamorous as saying, gosh, I have got to have some more cardiac surgeons, or some more brain surgeons.

We are not just talking about corpsmen, we are talking about clerks and typists and people who run errands.

Senator **Glenn**. That is a force multiplier.

Dr. **Mayer**. Yes, it is tremendous.

Admiral **Zimble**. If I could add one more thing, Senator Glenn. In the process of having this decrement in support staff, both clinical and administrative, we have raised the level of frustration.

That also in view of the other factor of the considerable delta in compensation between current physicians' salaries in the military versus their peers outside, we are seeing some significant retention problems, to the point where our doctors in the Navy are leaving within the first year of completing their obligated service.

This results in a reduction of experience level, although we may show that we have sufficient surgeons. Actually, we do not. We are at 63 percent of the surgeons that we would like to have right now.

Senator **Glenn**. Is that Active or Reserve?

Admiral **Zimble**. Active, sir.

By lowering the experience level, we find that we are eroding our faculty at our graduate medical educational facilities, such as Bethesda. And when we lower the faculty, we reduce the quality of the training program.

That results in having some of our training programs reduced or eliminated by the Association for Accreditation of Graduate Medical Education through its Residency Review Committees. And we get into a significant tailspin.

The solution includes some major retention initiatives that have to be taken right now. I am in the process of preparing a package of legislative relief initiatives that will be very helpful. They are not quite ready to submit. I am hoping to be able to submit those in the very near future through our personnel people, through Vice Admiral Budd Edney.

But I will be sharing that with my fellow Surgeons General and with Dr. Mayer.

Senator **Glenn**. Do each of you have such studies under way?

General **Becker**. Yes, sir.

Senator **Glenn**. Do you have a list of suggestions? I would like to have them directly, but I also think it is appropriate, with what I said a while ago, that Dr. Mayer should also have those and coordinate so that we can do something about it for all of you at once. I do not want to have to work an individual program for each service if we can help it.

But this is a very critical area. We have talked about it now for 3 years and I just think it is time we did something about it.

The situation they found out at Bethesda the other day was not good, and some of it is pretty fundamental. It is what you have already mentioned, such as having a doctor write up his own reports, and situations like that?

Admiral **Zimble**. That is my whole system, sir.

Senator **Glenn**. A good first-class hospital on the outside, a civilian hospital, has a certain ratio of doctors, and if they need someone, they hire them. We should be able to approximate that kind of an efficient operation.

If not, if our organizational charts are getting in the way of the services we render, then we need to change the organizational charts. And we will help you do exactly that, I will guarantee you.

Dr. **Mayer**. That is what I was trying to say.

Senator **Glenn**. Then please give us the information.

Dr. **Mayer**. Remember, when he develops these proposals he has to compete those through the Navy before they can ever even get to me. And then I have got to compete those with the rest of DOD.

That is why I believe that the only real solution for military medicine is for the exemption from ceilings for all military medical personnel, from the youngest corpsman to the most ancient teaching chief; because, otherwise, no matter how good his proposal is, if this cuts into Navy strength in manning its ships, he is not going to win it.

Senator **Glenn**. Yes, he may win it. He may have a great deal of support.

Dr. **Mayer**. I mean under the present systems.

Senator **Glenn**. Well, do not say he will not necessarily win it, because this has been identified as close to being a war-stopper as anything we have in the military. We are willing to back that up.

And if it means that the Admiral needs some support in that area, I believe this committee and this Congress, as a matter of fact, will give support, because we are talking about a total force concept that needs certain balances in it.

And obviously, F-14's and 15's and all these sexy things we run around the skies in these days have a great deal of appeal to us. We are hardware-oriented. But when we try to sit down and analyze what is going to give us a combat capability, then the medical system fits in there in a very, very big way, and we cannot ignore that.

The Secretary of Defense is right now stressing that we have to have consideration for our personnel first and foremost. That is the very first thing that Frank Carlucci said when he took over that post and he submitted a budget along those lines. So that is the tack he is taking.

And if it means we have one or two less F-14's and we have a better balance, maybe that is what we have to do. I am not suggesting that as a balance that I want to trade off, because I do not want to make that tradeoff myself. But we have to have the balance that will give us a total force combat capability, and that is where the Reserves are lagging in the medical area.

And we have termed it a war-stopper, and I think it comes closer than anything else that I know of. And you gentlemen are the front line on this, and you will get a lot of backing when you try for a fair hearing within your individual service when those figures are on their way to Dr. Mayer, I can guarantee you that.

Admiral **Zimble**. Senator Glenn, just let me make one observation. One of the things that we can accomplish by putting a physician or a medical provider in uniform, we can actually save money. We do not spend your money; we cut down on the budget deficit by putting people in uniform. That is where we differ from the line.

And I would offer a twofer: If you will buy me a physician, I will throw in an unrestricted line officer for the F-14 free of charge.

General **Becker**. One thing that will bring the dollars business home I think is an observation. It really does not cost me $500 a day to have a patient in my hospital. An extra retired patient costs me about $40 or $50 because I already have a lot of sunk costs.

So I am really caring for him on the margin. But when I do not have enough civilian personnel and nurses, and I have to send that patient to CHAMPUS, a surgery day on the outside for CHAMPUS costs $850.

Now, that is 8 to 10 to 16 times what it costs me in-house to do that. That is a tremendous difference, and therein lies the problem.

Senator **Glenn**. And you have a lot of people in the services, and I know this from talking to some of them personally out at Bethesda, some of them in very senior positions who want to stay in but because of the lack of a clerical support making it difficult for them to practice their professional skills the way they think they should. They are just so frustrated with all of this gobbledygook that they are going to leave the service and get out.

Senator Wilson.

Senator **Wilson**. Thank you very much, Mr. Chairman.

By the way, Dr. Mayer, if I might I will get it from you for the record, the answer to the question on the alternative data management processing system.

I am looking at some numbers here which have to do with the cost of physician recruiting, and while there is some doubt about what the total numbers are, the best figures I have got is that the Army plans to spend, General Becker, about $8.6 million for medical recruiting in fiscal year 1988.

General **Becker**. $8.6 million?

Senator **Wilson**. Yes, sir.

RESERVE RECRUITING COSTS

General **Becker**. Well, let me see. That would be for the medical corps officer recruiting, bringing in HPSP students, and also the Reserve medical officer recruiting, which is costly.

Senator **Wilson**. How much of that goes for recruiting Reserves and how much for active duty?

General **Becker**. The total for Reserve recruiting is $5,584,000. This includes Reserve nurses also. That includes the travel, advertising, and the civilian pay. We have a fairly large recruiting network out there that has to be supported.

The total for the Active force is $3 million so, you are right, it is a total of $8.6 million.

Senator WILSON. I cannot help wondering how much we might do for recruiting if we took that money and put it into, if it were legally possible to do so, into salary or other compensation increases.

Dr. MAYER. We are doing that, sir. We have just vastly improved the incentive special pay program. Now, that is not for brandnew doctors, but for the critically short specialties. The cap has been taken off. We are going to be able to pay by next year $16,000 to $20,000 bonuses for the most critically short specialists.

We are going to be able to continue to pay special pay for those who are not wartime critically short, but are critically needed to maintain the peacetime force, such as our obstetricians and pediatricians. The elimination of the cap on incentive special pay is a great improvement.

It does not overall raise the salary of all physicians, but it is a very large step in the right direction.

Senator WILSON. Dr. Mayer, I agree it is a large step in the right direction. I guess the practical question is is it sufficient. I mean, are we competitive? The picture I am getting from you and from Dr. Zimble and from others is that we have highly qualified physicians who are leaving really because they are professionally frustrated, that it is because of the combination of factors that relate to the fact that they can earn double to triple their compensation, their military compensation in the private sector, combined with the frustration that they are experiencing.

If we are simply increasing their compensation, is that going to be enough to keep them or are we going to continue to lose them?

Dr. MAYER. Until we get sufficient support staff, we are going to continue to lose people. Now, actually our losses and gains over the last 6 weeks about even out.

MEDICAL RECRUITING BUDGET

Senator WILSON. Well, let me ask you—again, let me go back to the question to General Becker about the Army's medical recruiting budget. Unless a lot of this is—well, even in that case, and this is not intended to mean any particular specialty or any element of the medical service. But I just wonder if recruiting works as well as fixing what is wrong.

And I am sure the answer to that is no. And it also makes me wonder whether any recruiting budget is going to be successful if we do not fix what is wrong. And that is almost a rhetorical question, but not quite. So go ahead and comment.

General BECKER. I agree that one should fix the leak rather than trying to recruit to fill up the bucket. However, that recruiting money goes for lots of things. In 1987, we recruited 491 medical corps officers, 101 dental, 38 veterinary, 49 AMSC's, 460 MSC's, and 340 HPSP students.

Those people do all the paperwork to get folks in the service. So yes—and we recruited off the street about 70 physicians, which is the root of the problem. They are difficult to recruit because, as we state up front, they have to be of high quality.

We recruited them because we lost them out the other end.

Senator WILSON. That is the point—let me interrupt you there. That is what concerns me and I am sure that is what concerns all four of you. Dr. Mayer a moment ago made the statement that over the past 5 years we have about broken even.

But I gather that what we are doing is recruiting new young ones without experience and losing the most experienced of our physicians. That is not exactly a fair tradeoff.

General **Becker**. No, sir. There is a multiple solution to it, as you mentioned, and we must fix the support staff thing. Now, we did have that on the right ramp until this year, and this budget crisis that we are in, is not the Congress' fault, I do not suppose—maybe part of it——

Senator **Wilson**. It sure is part of it.

General **Becker**. That is hurting. We must fix the pay. And we have found that we are losing more this year than we anticipated losing because, from our surveys, there is a pay problem. And we are going to fix one part of it, which is ISP.

But here is the root problem: The bonuses the physicians were given by the Congress several years ago have not changed one iota in 7 years, I believe. That is, they did not increase with inflation or anything else. Now, their military pay came as we gave, you know, 2 and 3-percent increases in the base pay, but not the bonuses.

And therein lies the problem and that is where it needs to be attacked. We need help from the Congress to correct those fundamental bonuses.

COST OF CIVILIAN PHYSICIANS ON CONTRACT

Senator **Wilson**. Gentlemen how much—or Dr. Mayer, maybe you know for all of the services. How much are we spending by way of purchasing the service of expert civilian physicians on contract?

Dr. **Mayer**. I cannot answer that, because I do not know. I can get that figure for you, sir, but it does not help this ongoing discussion.

Senator **Wilson**. I would be grateful if you would, and the reason I ask the question is because it seems to me—and this may not be a good idea, but at least it is something we should explore. I would be interested in knowing what the total amount is and how that would compare if we were to spend the same money trying to increase compensation so that we no longer lose the most experienced of those critical specialties in particular that 4 years ago you, Dr. Mayer, rightly identified as being the special necessity and the real sore point in our inventory of medical capability.

General **Chesney**. Mr. Wilson, I can give you some comparable figures for Air Force. The radiologist that we are paying, a major say, $65,000 a year, when we go out to contract for him it is costing us $400,000 a year. For an obstetrician it is costing us $250,000, $300,000 a year for what one doctor was doing in the Air Force.

A gastroenterologist, $250,000; an orthopod, $200,000 plus. So it is costing us more than two or three times as much when we lose a doctor to have to go out and contract that.

Admiral **Zimble**. Senator Wilson, not only would it be neat if we could move moneys from contracting into MPN accounts, which means crossing over from O&MN to MPN for Navy, but the other problem with those gross differentials is that we have our physicians working side by side with these contract physicians.

And the morale factor is brutal, as well as offering our contractors a fertile soil to recruit our very best into their practices.

Senator Wilson. I do not imagine it often happens the other way.

Admiral Zimble. Very seldom, sir, under those conditions.

Senator Wilson. Well, I think that we need to get those numbers and take a serious look at what is going to be required in order to keep people, because it seems to me that now, to use General Becker's metaphor, we are in a boat that is leaking and we are recruiting bailers while the leak is growing larger.

My time is up. Thank you, Mr. Chairman.

Senator Glenn. Thank you, Senator Wilson.

I want to make note that I am looking into some of these things. We have staff paying an all-day visit to Walter Reed next week and then going to San Antonio sometime in the future. So we are trying to look into some of these things with a little more depth than we have been in the past.

We are going to have to submit quite a number of questions to you to reply for the record. Senator Inouye sent some questions over that he wanted us to ask today if we had time. We will submit those to you for the record.

CHAMPUS MONEY

Let me ask just one. Do you have enough flexibility now with your own money and the CHAMPUS money? I know it was a little more flexible at one time and now there are some restrictions on that as a result of a House action.

Does that get in your way, Admiral, as far as doing what you should be doing out at Bethesda and other hospitals? Do you need more flexibility in using CHAMPUS funds so that you can better serve people in-house and leave it up to you as to what gets contracted out of house?

Admiral Zimble. Yes, sir. As I mentioned, my prescription for getting well, my third item was to release CHAMPUS dollars for use in contracting, and also to release CHAMPUS dollars for use in civilian hire if we had the authority for civilian hire.

Further, if we could move some of that CHAMPUS money over into our military personnel account, then I think we could get the biggest bang for the buck, provided we had a reprieve on our military end strength. So I listed the five items, all five of which would allow us to put more dollars against both the military personnel and against civilian hire.

We need some relief from restrictions that are placed upon our authorities.

Senator Glenn. OK. Any other comments?

General Chesney. As you know, we can transfer O&M money to CHAMPUS, but not back the other way. So it is a tremendous problem this year.

Senator Glenn. General Becker.

General Becker. It is the same problem, yes, sir. And that, in fact, would help us a great deal. I believe that we could save you enough money that you could put money into the military pay account to hire some more green-suiters.

Senator **Glenn**. On the issue of catchment area management, Dr. Mayer, in your September 1987 report to Congress you stated your intention to move forward with a demo of the catchment area management concept. What is the status of that? Can you give us a fast rundown on that?

Dr. **Mayer**. Yes, sir. All three services have submitted a concept paper which has been approved to put into place one or more catchment area demonstrations, and this gives the local commander some of the flexibility that the gentlemen have been talking about.

Senator **Glenn**. That would tie in with CHAMPUS and with keeping their owned facilities filled, rather than farming out, is that right?

Dr. **Mayer**. Right. He will have all the CHAMPUS money at his disposal. We can do that under demonstration authority, but we cannot do that across the board yet.

So the Air Force is going to do it in Arizona for Luke and Williams Air Force Bases, and also I think at Nellis in Nevada. The Navy is going to do a catchment area demonstration at Charleston, where they have a major problem with retirees and so on. The Army, have you decided?

General **Becker**. Yes, sir. Fort Sill. We are still trying to work out the negotiations on Georgia.

Dr. **Mayer**. Fort Sill and Fort Benning.

General **Becker**. Right.

Dr. **Mayer**. So the first project——

General **Chesney**. That starts October 1.

Dr. **Mayer**. We have great hopes for that, because that would allow the hospital commander to use his CHAMPUS funds. He can hospitalize in his hospital, but pay a CHAMPUS doctor to come in and see the patient if necessary.

He can make arrangements with groups of physicians in his local community for a discounted rate for his patients.

UNIFORMED SERVICES TREATMENT FACILITIES

Senator **Glenn**. The Uniformed Services Treatment Facilities designation for former Public Health Services hospitals could be terminated after December 31 of this year. The Department of Defense could request this termination with 6 months prior notification to Congress. A study of these USTF's was commissioned with Booz-Allen and their report concludes that these facilities are cost efficient and that utilization rates are similar to those in the civilian sector.

Both the GAO and the Inspector General's office are conducting evaluations as well.

In light of this information, what's the DOD's position on extending the current USTF designation, Dr. Mayer?

Dr. **Mayer**. Our current position, Senator Glenn, is that we have no plans afoot or in sight to terminate those as long as they are continuing to function more cheaply than CHAMPUS.

AIDS DIAGNOSIS

Senator GLENN. Let me ask one last question. This is disease specific on this last question. I had a letter, a real heartbreak-type letter from a person from Ohio who wrote to me in longhand. It was not a typed letter. He wrote it out.

He had been improperly diagnosed as having AIDS. He spent 9 months thinking about this before they found out that this was a misdiagnosis. That is a problem, this AIDS diagnosis business, and I do not know where we go with it. But it was really a tragedy in his life.

I sat and read his letter and reread it, and you can imagine what your own emotions would be in a situation like that. He had left the Navy, and his life had been pretty well wrecked by this misdiagnosis.

What progress are we making to make sure that this does not happen in the future? It is bad enough when we make a correct diagnosis, but it is just as much of a tragedy for the individual if there is a misdiagnosis.

Dr. MAYER. The number of false positives is absolutely minute, but of course it can happen. Perhaps Admiral Zimble can tell you about that.

Admiral ZIMBLE. I am familiar with that case, Senator Glenn. That is one of several cases that was misdiagnosed because of a difference of interpretation of a Western Blot test done about 1½ years ago.

Subsequently, when it was recognized that the interpretation was too liberal, that we were essentially going to get some indeterminate type studies, we went out and contacted every one of those people. We had no choice. It was an obligation to contact them.

Subsequently, we will not have that problem. That essentially is a problem that should not recur. It was a question of looking at a particular Western Blot and calling it positive when in fact it was an indeterminate test. We have contacted every one of those people.

And there is no question that we have put them through anguish. I think we have acted in good faith in both doing the test and in contacting them and trying to make amends. But that problem should not recur.

Senator GLENN. Have any of the rest of you had any cases similar to this?

General CHESNEY. We have had what we think is about 13 cases that early on their tests were false positive. But we have worked every one of those closely, and I do not know that we have sent any out from our medical center with a true bad diagnosis.

The tests were very nonspecific at first, and we have got them down now to where we are pretty comfortable with them.

General BECKER. There was a fairly modest problem United States-wide of reading the Western Blot. But our people at the Walter Reed Institute of Research led the way in the proper way to read these and got the industry straight and helped a great deal on that problem.

And I think that it is agreeable throughout the country now how to read those, because they read different lines, and one guy would say this line means AIDS and another one would say it would not.

But our people got it straight. We had a few that fell into that grey category, but they never got as far as the patient that you talked about.

Senator **Glenn**. Well, you can imagine yourself in that position. It would be a hideous type thing.

Gentlemen, since we feel the medical situation is so critical, we will have a joint hearing with the Readiness Subcommittee on April 13. We will be discussing some of these same readiness problems in that joint hearing. At this time I do not know the exact witness list for that hearing.

We want to work with you on this. I know this sounds confrontational much of the time but it is confrontational only because we are trying to get something done and we are afraid we were less effective than we should have been at this end of the avenue and you are less than effective, maybe, than should you have been across the river.

But somehow we have got to all get together, and if we need changes in the legislation to make the funding more effective by better flexibility, then I will certainly help do that to the best of my ability here, I can guarantee you that.

But this whole thing is something we have been talking about for 3 years, and I have a feeling we are still in the quagmire. One of the questions I did not get to ask is what type of flexibility we have in dealing with these requirements. When we say we are 70 some percent short of our mobilization requirements or our Reserve requirements and we have 91 or 92 percent in our regular establishment. How do we bring that up to 100 percent? I do not like to see us short in any particular area.

We will have a whole series of questions for the record. I hope you gentlemen would study them and give us your best response. If we need to have another hearing, I suppose we can do that but I do not like to call hearings all the time.

Hopefully you can get those answers back to us so that they can be included in the record. We also want our staff to continue working with your staff over there. And any time there is a sharing of views back and forth, either on or off the record, why, I welcome that.

I get a little up tight, obviously, when there are shortages of medical personnel. We wrote in the language last year guidance that was supposed to be very clear, and it turned out not as clear as we expected.

But instead of picking up the phone and calling us over here and saying, hey, what did you guys intend, you go on and cut people, badly needed people, because of an interpretation of one sentence to the next. Let us communicate more. Maybe we can get something done. I hope we can.

We look forward to working with you. Thank you.

[Additional statements submitted for the hearing record by Robert W. Nolan, Fleet Reserve Association and Col. George F. Hennrikus, the Retired Officers Association follow:]

BY
ROBERT W. NOLAN
NATIONAL EXECUTIVE SECRETARY
FLEET RESERVE ASSOCIATION

Mr. Chairman, members of this distinguished Committee, it is my privilege to present the views of the Fleet Reserve Association, on the personnel compensation provisions of the amended FY 1989 Defense Budget. As you know, the Fleet Reserve Association is an organization of 150,000 enlisted personnel, active duty and retired, of the U.S. Navy, Marine Corps and Coast Guard. We appreciate this opportunity to give you their views.

During the past two months I have addressed active duty personnel attending FRA Leadership Seminars. The seminars were held in Norfolk, Virginia, San Diego, California and Pensacola and Jacksonville, Florida. Members of the enlisted leadership, (command master chief petty officers, command career counselors and ombudsmen) were invited and all major commands in those four areas were represented. The frank, open exchange of ideas prepared me well for this statement.

MILITARY COMPENSATION:

In the exchange of ideas and opinions at the four FRA Leadership Seminars it was obvious to all that military compensation and access to quality medical care for dependents were the two top personnel issues. To say that all active duty military personnel are well aware that their pay lags behind civilian pay is the understatement of the decade. When personnel grow dissatisfied with their compensation the first indications of the dissatisfaction is felt in recruiting and retention. If you measure retention by years-of-service, you will see that retention has declined in many skills and specialties. In FY '87, the Navy fell 3 percent behind its retention goal for second-term reenlistments. What was truly surprising is that it was also 1 percent short of obtaining its goal for career reenlistments! Another warning sign is that the Marine Corps attained only 93 percent of its first-term reenlistment goal in FY '87.

There are very obvious and valid reasons for the enlisted's dissatisfaction with their compensation. They know that military pay raises have been capped below private sector pay raises, as measured by the Employment Cost Index (ECI), each year since FY 1982 when military pay comparability was reestablished. This fact has created a 11 percent lag in military pay behind civilian pay. A second obvious reason has been the Congress' constant tinkering with the Variable Housing Allowance (VHA) since it was established in 1980. The latest action on VHA, freezing VHA in FY '88 at FY '87 levels resulted in a reduction of VHA for approximately 60 percent of all military members receiving VHA (about 551,000) and a reduction in take-home pay for over 80,000 personnel even though they received a 2 percent basic pay increase at the same time.

With today's emphasis on readiness of the Armed Forces we cannot afford to miscalculate the importance of people. In FY '87, 93 percent of all new recruits were high school diploma graduates. That is substantially above the 75 percent of the youth population with diplomas. While thus far recruiting and retention have not been seriously damaged by the ever expanding pay gap and the erosion of VHA, let us not forget the costly hemorrhage of enlisted careerists we endured in the 1979-80 time frame. Unless we demonstrate to our people that we will compensate them fairly, the Services will be unable to recruit and retain the high-quality people needed.

In recognition of all the factors that fit into the military readiness equation, the Fleet Reserve Association feels that it is absolutely imperative that all military personnel be provided a 4.3 percent pay raise in basic pay and a 3.4 percent increase in VHA rates. It is most important to understand that this raise will not make up any of the 11 percent pay gap revealed by the ECI comparison, it simply prevents the 11% gap from getting larger.

MEDICAL CARE

Following the FRA's last appearance before this Committee regarding medical care for military dependents, military retirees and their dependents, FRA determined to pioneer alternative approaches to enhanced access to quality care with aggressive cost management for active duty dependents.

We conducted research among active duty personnel and their families to learn their medical needs as well as their preferences. We wanted to develop a viable alternative to the CHAMPUS Reform Initiative (CRI) that would act as a model for the local delivery of medical care to active duty dependents. We wanted to include in this model health plan, provisions for preventive as well as acute care medical services. Our plan focuses on changing life style behaviors as the long term solution for truly reducing medical care costs through overall improvement in beneficiary health. Our research took us to four military communities, Norfolk, Virginia, Washington, D.C., Jacksonville/Mayport, Florida and Corpus Christi, Texas. We conducted twenty-five discussion groups with personnel in pay grades E-4 to E-9 and their spouses. This research clearly revealed that a comprehensive, affordable health care plan that would assure easy and continuous access to top quality medical care and preventive services within the local community setting is sorely needed.

FRA'S REVOLUTIONARY HEALTH CARE PLAN: "SUPERCARE"

Local health care delivery means creating a network of performance tested and competent providers from within the community who will provide all services at fixed affordable cost for the beneficiary. This means eliminating all CHAMPUS out-of-pocket costs through the use of comprehensive supplement linked to a network of participating providers. The only cost to the participant is the plan's low premiums.

This health care plan's delivery system is based upon three legs: the Daughters of Charity National Health Systems, Inc. and their affiliates, (all non-profit hospitals); pre-selected, plan authorized, licensed and certified providers who practice within the community and are affiliated with the hospital; and Consumers United Insurance Company, (a not-for-profit insurance company) as the plan's underwriter to work cooperatively thru contracts with the hospitals and their providers to provide for all health care needs of the beneficiary population. This managed care network of participating providers together will operate as a select health plan within the CHAMPUS law and regulations and in cooperation with the military's regional medical commands.

This is NOT the normal CHAMPUS supplement. This is a health care plan and therefore provides preventive health services at recommended life intervals (such as physicals, tests and immunizations) at no extra cost. Plus special prevention services from the local hospital such as: classes in smoking cessation, exercise, stress control and nutrition; special health screens and newsletters. The rates are based on whether or not the member's spouse smokes.

Following the advice of the active duty research the premiums for the plans are based upon pay grade. Pay grade E-1 to E-3 pay the lowest premium. Pay grade E-4 to E-6 pay slightly more and all pay grades E-7 and above including warrant and commissioned officers pay the top premium. The premiums for children are the same regardless of sponsor's rate or rank and are based upon whether you have one child or two or more children. Also, if the active duty sponsor is a single head of the household or if both parents are active duty they may insure the children under the plan without having to participate as adults. This is a unique provision in health care plans. Considering that the premium for an E-7 and above is the most expensive, you will recognize the modest cost of the plan as I tell you that the family (a non-smoking spouse and two or more children) of an E-7 or above is fully covered for a premium of $20.00 a month! We hope to accomplish four things with this new plan:

1. To improve access to quality medical care for the active duty dependent.
2. To control costs within the Plan and the costs to CHAMPUS and ultimately to ourselves.
3. To demonstrate that a private/public partnership can work effectively to deliver quality medical care to active duty dependents.
4. To focus attention on health promotion activities and positively changing lifestyle behavior as the long term solution to medical care costs.

The Fleet Reserve Association has fully briefed the U.S. Navy's hierarchy on its plan. During the six week period of 11 January - 25 February 1988 we briefed the staff of the Navy's Surgeon General, the Navy Manpower Secretariat's staff, the Chief of Naval Personnel, VADM Leon A. Edney, U.S.N., and members of his staff, plus representatives of Marine Corps Headquarters and Coast Guard Headquarters. In addition we briefed the key staff members of the U.S. Naval Hospital in Portsmouth, Virginia, at the commanding officer's, CAPT L. Carey Hodges, MC, U.S.N., request. ADM Carlisle A. H. Trost, U.S.N., the Chief of Naval Operations is fully informed of our program and actions. We have plans to brief the hierarchy of the Air Force and Army in turn within the near future.

In addition to our briefing the Navy's hierarchy here in Washington, D.C. we have held seminars on the program in the four pilot cities where the plan will be implemented, Norfolk, San Diego, Pensacola and Jacksonville. Needless to say, advance notice of the plan has been very well received, especially when we inform our audiences that:

1. the plan is open to every person, enlisted or commissioned, serving on active duty in one of our Armed Services, and
2. You do NOT have to be a member of the Fleet Reserve Association to participate in the plan!

The Fleet Reserve Association is proud to join with Daughters of Charity National Health System to bring this model health plan to military beneficiaries as the most viable alternative today to CHAMPUS Reform Initiative in order to provide them access to quality medical care.

Mr. Chairman, the Fleet Reserve Association thanks you for allowing us to present our views and information about "Supercare" to you. I stand ready to answer any questions you may have.

B. ACTIVE DUTY DEPENDENTS' MONTHLY PREMIUM RATES*

*PREMIUMS MUST BE PAID QUARTERLY

ACTIVE DUTY SPOUSE MONTHLY PREMIUM RATES

PAY GRADES	AGES	NON-SMOKER RATES	SMOKER RATES
E-1 TO E-3	ALL	$ 9.00	$10.00
E-4 TO E-6	ALL	10.00	11.00
E-7 AND ABOVE**	ALL	11.00	12.00

**"E-7 AND ABOVE" INCLUDES ALL WARRANT & OFFICER PAY GRADES

DEPENDENT CHILDREN AND STUDENT MONTHLY PREMIUM RATES

ONE CHILD	$ 5.00
2 OR MORE CHILDREN	9.00
STUDENTS (HIGHER EDUCATION)	6.00

EXAMPLES OF FAMILY MONTHLY & QUARTERLY PREMIUMS

	E-1 TO E-3	E-4 TO E-6	E-7 & ABOVE**
NON SMOKING SPOUSE AND 1 CHILD	$14 (42)	$15 (45)	$16 (48)
NON SMOKING SPOUSE AND 2 OR MORE CHILDREN	$18 (54)	$19 (57)	$20 (60)

(QUARTERLY PREMIUMS ARE IN PARENTHESIS)

STATEMENT OF

Colonel George F. Hennrikus, USAF, Retired
Director of Legislative Affairs
The Retired Officers Association (TROA)

Mr. Chairman and Members of the Committee:

I am Colonel George F. Hennrikus, Jr., United States Air Force, Retired, Director of Legislative Affairs of The Retired Officers Association (TROA) which has its national headquarters at 201 North Washington Street, Alexandria, Virginia. Our Association has a membership of 354,000 retired, reserve and active duty officers of the seven uniformed services. Included in our membership are about 50,000 members who are survivors of members.

This opportunity to express our concerns about the Uniformed Services Health Benefits System is very much appreciated. While medical care has consistently been second in importance only to pay for our members, the significant increase in concern over health care has pushed it to the top of the Hit Parade. With increasing restrictions on access to direct care in Military Treatment Facilities (MTF), and the increased cost of civilian provider care, fueled by an accelerated inflation factor, our concerns are greater than they have ever been.

Care in MTF's constitutes our primary source of care. Over 85% of our members have elected to reside within MTF catchment areas and consequently, with their dependents and survivors, comprise almost 40% of the patient load at a typical MTF. Yet, in recent years, increasing numbers are being diverted to private providers under CHAMPUS and Medicare cost sharing plans. In this regard, it should be noted that about 50% of our members are 65 years of age or older and consequently in the Medicare System.

This increasing dependence on private providers places an added and unnecessary burden on beneficiaries and the taxpayer. Even more significantly, this trend is eroding combat readiness. As you know, the Services are having increasing difficulty in recruiting and retaining medical personnel at all levels, but particularly in the professional areas. Certainly part of the reason for this phenomenon can be ascribed to economics. In almost all professional categories, the Services have never been able to compete with the civilian medical industry in material incentives. Although we strongly recommend that the incentives established in the past be increased, we also recognize that financial rewards will always be higher in the civilian sector.

There are other valid reasons for waning interest in military medicine, and these can be dealt with in a positive way by this Committee.

Over and above financial considerations, the best medical school graduates are attracted to a practice that offers the full spectrum of medical specialties, including the broadest possible opportunities to participate in Graduate Medical Education. For many years, military medical service offered these incentives. Professional organizations and medical schools have characterized military medicine as a vital part of the country's medical infrastructure and it has enjoyed an outstanding reputation for its high standards of practice and training.

Funding limitations now threaten this enviable position. As more beneficiaries are transferred to private providers, increasing limits are being applied to military providers. If this trend continues, military medical practice, ultimately, will be limited to a relatively healthy active force and only the less qualified professional will be attracted to military medical service, with the consequent deterioration of medical readiness. Constraints on the defense budget have further exacerbated this trend, despite certain exemptions applied to medical activities.

We note for the record what appears to be conscious acts of discrimination against the older beneficiary by various MTF's around the country. In an effort to adjust to sharply reduced budgets due to last years's CHAMPUS overruns, many MTF commanders have restricted the distribution of prescription drugs by their pharmacies either by not honoring prescriptions written by private providers or stopping the issuance of the more expensive drugs related to old age problems. Our members have also expressed concern over instances in which disproportionate numbers of older retirees have been told to seek care in the private sector under Medicare.

What has developed can be characterized as a descending spiral: staff shortages, both professional and administrative, have forced patients into the private sector; less patients dictate reductions in staff. The most obvious result has been an increase in health care costs. A more subtle and far more insidious effect has been the loss of highly qualified physicians, including department heads and people with ten or more years of service.

The various stop-gap measures that have been instituted deserve Congressional support. These include the PRIMUS/Navcare clinics, and the Catchment Area Management System. Recent studies have also supported continued operation of the former Public Health Service Hospitals as Uniformed Services Treatment Facilities (USTF) The CHAMPUS Reform Initiative (CRI) test in California and Hawaii may produce worthwhile results but should be evaluated thoroughly before any expansion is contemplated. All are designed to solve the immediate problem of handling patient load. It's important to underscore that all of these measures either rely on the private sector or contract personnel and do not provide the medical infrastructure to go into combat.

All but USTF System and the CRI are predicated on the maintenance of control by the MTF Commander, which is essential. None, however, solve the real problem: long term rehabilitation of a uniformed medical corps designed to provide access to quality care for the optimum number of beneficiaries. Project Restore takes a giant step in that direction, but until such a program is fully endorsed and funded by Congress, combat readiness will suffer and costs will continue to increase for both the beneficiary and the taxpayer.

Turning briefly to program enhancements, the enactment of the Defense Authorization Act last year provided a sorely needed $1,000 catastrophic medical expense cap for active duty families using CHAMPUS. The same law included a $10,000 cap for retiree families. While a step in the right direction, we strongly recommend that the cap for retirees be lowered to not more then $3,000 at the earliest possible time.

We also would like to express our gratitude to the Committee for its forceful rejection of a user fee for outpatient visits to MTFs. Your timely action sent a positive signal that Congress intends to honor past commitments and in so doing avoided the degradation of morale that would otherwise have occurred.

Congressional action that is pending on H.R. 2470, the Medicare Catastrophic Protection Act, has rekindled our members hopes that Congress will examine the merits of S.166, a bill to make CHAMPUS resume when Medicare benefits are exhausted. Protection such as that contemplated by S.166, will fill a tremendous void in catastrophic protection for retirees who reside in overseas areas where Medicare is not authorized. The cost of S.166 will be reduced dramatically by the enactment of H.R. 2470 and is recommended for early consideration by this Committee.

Summary

The fate of medical readiness will be determined by the decision this Committee makes in connection with the FY 89 and FY 90 Defense Budgets. To reverse the downward spiral and set a new direction, increased emphasis on in-house resources is critical. Top priorities include additional personnel and funding authorizations for Project Restore, increased incentive pays for medical personnel, and challenging medical professionals by affording them the full spectrum of practice and high quality Graduate Medical Training.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN GLENN

MEDICAL CARE

Senator GLENN. Dr. Mayer, I raised this issue with Grant Green, the Assistant Secretary of Defense for Force Management and Personnel, at the hearing last week and he is looking into it. I think you need to get together with him to see if there aren't any other people-programs in the O&M accounts that do not have the same priority as medical care that can be scratched and the money used to restore the funding that has been cut from the medical account.

Would you please do this and let us know the results?

Dr. MAYER. As you know, the Department of Defense has a number of broad objectives that it is tasked to accomplish. The Department's planned funding of various programs, determined through the Planning Programming and Budgeting System cycle, is an attempt to set priorities for these programs in light of their ability to meet the various objectives of the Department. Because of constrained budgets and manpower resources it is incumbent upon us to make trade-offs. If these trade-offs are properly established in the budget process, moving resources will result in a lower overall effectiveness for the Department. What is critical in this framework is the ability to specify what the trade-offs are and the impact of a reallocation of resources on the overall efficiency of the Department.

The Department recognizes the need to strengthen this process within the context of the Total Force. I am currently participating in an effort led by Mr. Grant Green, Assistant Secretary of Defense for Force Management and Personnel, that examines current policies and procedures relating to Total Force Mix with an eye towards enhancing our ability to achieve the greatest force balance and effectiveness within constrained resources. This process may result in changes in both policy and evaluation techniques that may be difficult to accomplish within current operating procedures. We will rely on Congressional endorsement and support in our effort to strengthen the Total Force process.

EUROPEAN IN-THEATER TREATMENT CAPABILITY

Senator GLENN. Dr. Mayer and General Becker, last week General Richards, the Deputy CINC of EUCOM, testified before the Readiness Sustainability and Support Subcommittee that "what is really required (in EUCOM) is a relatively modest additional investment ($45 million) to achieve a 30-day proximate in-theater treatment capability." Do you know what this $45 million would buy? Which service would it go to?

Dr. MAYER. I am aware of General Richards' testimony, however, clarification of several points is necessary. The Department programming guidance to the services has been that they must program a structure to support at least a 15-day evacuation policy at the time of peak requirement. The Deployable Medical Systems (DEPMEDS) hospital standardization and procurement program has been developed and programmed to meet this minimum capability. This does not mean that the services cannot program additional capability; the 15 days was used simply to establish a mandatory floor requirement. In fact the Joint Chiefs of Staff has prescribed an ideal 60-day evacuation policy. The true requirement, however, is determined by the theater evacuation policy necessary to prosecute the war and may vary from theater to theater. By comparison, during World Was II, in order to sustain our war effort, this policy was 180 days.

General Richards' testimony supported a United States European Command (USEUCOM) proposed optimal, most cost effective, 30-day evacuation policy for Europe. The 30-day policy would support all services and enable an additional 31,000 trained and experienced personnel to be returned to duty in theater. An additional 14,000 beds would be required to meet the proposed medical capability.

Senator GLENN. General Richards' testified that EUCOM currently has a 10-day in-theater treatment capability. Can we really get a 30-day in-theater treatment capability by adding $45 million to the fiscal year 1989 budget? Do we have enough medical personnel, for example, to meet this requirement?

Dr. MAYER. The DEPMEDS standardization and procurement program will help achieve the established minimum 15-day evacuation policy. With respect to achieving an additional 15 days, the $45 million does not represent the low cost durable equipment, supplies and consumables which would be required following mobilization. The proposal does however, recognize that it takes 3 plus years to procure major equipment items and provides an austere alternative to full fielding. As for personnel, the EUCOM proposal generates a requirement for 21,000 additional providers.

We support the USEUCOM desire for increased capability, however, we are evaluating the requirement for an additional 21,000 medical personnel in light of manpower shortfalls for the current DEPMEDS program.

MEDICAL MANPOWER

Senator **Glenn**. Dr. Mayer, in the DOD Medical Readiness Strategic Plan you submitted in January 1988, you indicate that the military services are expected to continue to fully staff budgeted personnel authorizations planned for the Active force in the future. Yet, figures we got from your office indicate physicians are filled at 91 percent of wartime requirements and nurses are filled at 88 percent of wartime requirements in the Active force.

Does this mean that your budgeted authorizations will not allow you to man your wartime physician and nurse requirements at 100 percent?

Dr. **Mayer**. Yes, it is the number of funded manpower authorizations that falls short of Active component requirements, not our ability to fill these positions. Against budgeted authorizations, the Active component staffing for physicians and nurses is essentially 100 percent. At the end of fiscal year 1987 (fiscal year 1987), military physicians assigned equaled 98.4 percent of budget authorizations and from fiscal year 1981 through fiscal year 1987 averaged 100.4 percent. Likewise, active duty nurses assigned at the end of fiscal year 1987 were 99.1 percent of budget authorizations, and the staffing level averaged 99.8 percent over the same 7-year period. Not evident in these numbers, however, is the problem of specialty requirements and shortages. In some physician specialties, we have characterized the shortage as critical because of its size; in other specialties, necessary to the delivery of health care services in peacetime, we have more than would be required during wartime.

Senator **Glenn**. If this is so, do you believe the budgeted authorizations are adequate, and how would you make up the shortfall in wartime?

Dr. **Mayer**. No, the number of budget authorizations is not adequate. To remedy this, the services would have to increase budget authorizations to a level equal to their statement of requirements for Active component physicians and nurses. Countering such initiatives, however, are continuing pressures to reduce the number of officers on active duty. Rather than increasing authorizations, this situation too often forces the medical manpower managers into a defensive posture of trying to ward off medical officer end strength reductions.

The Department would rely on the Reserve components to make up Active component shortages of physicians and nurses in the event of war. Such a prospect clearly exacerbates an already substantial shortage of Reserve physicians and nurses. It is because of this that the Congress and the Department of Defense have developed initiatives specifically targeted to improve the availability of physicians and nurses in the Reserve components.

SKILLS ENHANCEMENT

Senator **Glenn**. Dr. Mayer, you indicate that there is a mix problem in the active inventory of physicians resulting in critical wartime physician requirements being manned at 59 percent. This implies you have overages in other physician skills.

Is this so and what are you doing to correct the mix problem?

Dr. **Mayer**. Yes, we have an imbalance between the distribution of active duty physician specialists and the Department's wartime specialty requirements. I have initiated a skills enhancement program designed to ensure that traditional primary care and family medicine specialists on active duty receive supplemental training and experience to better support wartime health care activities. The physician specialties that can be cross-utilized to augment critical wartime shortage specialties have been identified. We are developing training packages and implementation plans for providing the training necessary to enhance the wartime medical skills of the cross-utilization specialties. The initial focus has been on the three critically-short specialties of anesthesiology, orthopedic surgery, and general surgery, but similar training packages will also be developed for the remaining specialties. Skills enhancement training will eventually permit identified specialties to undertake specific wartime tasks usually performed by physicians in those specialties with projected wartime shortages. I believe that this approach will help us resolve a significant portion of our peacetime/wartime physician skill mismatch in those instances where, although clearly it would be preferable, it is not possible to obtain and retain on active duty all of the fully trained specialists necessary to meet our wartime requirements.

MEDICAL MANPOWER

Senator **Glenn**. Dr. Mayer, what we have here is a potential war-stopper.

If we had a conventional war in Europe tomorrow, how would you handle the casualties that are certain to occur?

Dr. **Mayer**. While the current active and reserve health care personnel assets would provide sufficient manpower to care for the casualties resulting from a local or regional conflict, they are clearly short of the requirements that would be expected in a conventional war in Europe. These shortfalls of surgeons, anesthesiologists, orthopedic surgeons, and nurses are serious and have led us to employ new approaches to recruiting health care professionals into the Reserve components. We are relying heavily on the special authorities granted us by the Congress last Fall to successfully resolve the existing manpower shortages. This remains one of the Department's highest priorities.

DEPLOYABLE MEDICAL SYSTEMS

Senator **Glenn**. Dr. Mayer, I have only addressed medical manpower. I know there are also problems in wartime medical equipment and supplies, for example the adequacy of the number of deployable medical systems (DEPMEDS), and aeromedical evacuation capacity. These problems are addressed in your plan. Would you please discuss these problems, especially as they relate to medical manpower. In other words, do you have a time phased plan for matching equipment and manpower improvement?

Dr. **Mayer**. Yes there exists a tremendous shortfall in medical capability and overall ability to meet established 15-day evacuation policy. To address this issue the Department of Defense initiated the DEPMEDS standardization and procurement program. The normal ten-year developmental process for a program of this nature has been compressed to a mere five. As a result, the DEPMEDS program has progressed from a blank sheet of paper in 1982 to achieving initial operating capability during 1987. To date funds have been appropriated for procurement of 101 Army, 16 Navy, and 26 Air Force contingency hospitals. An additional 68 assemblages have been programmed for and are needed to help attain the absolute minimum medical capability.

Completion of the DEPMEDS program will provide necessary equipment to meet the minimum requirement, however, manpower will still be required to realize the full treatment capability required during mobilization. Manpower requirements are computed to provide staffing for both theater and Continental United States needs. As you are aware, we currently have a tremendous health care provider shortage. With our recruitment, financial incentive, graduate medical education program, and other initiatives, we hope to meet manpower requirements for both the Active and Reserve components.

Obtaining minimum medical capability is a twofold problem, equipment and manpower. With this in mind, I point out that should the need arise for full mobilization, it would take less than six months to establish, implement, and obtain trained personnel through the national draft. Through the draft existing personnel shortages can be addressed. The primary medical readiness problem is that although medical personnel resources can be obtained in a relatively short period of time, it takes more than three years to procure and assemble the necessary equipment being addressed in the DEPMEDS program. It is also noted, the current DEPMEDS procurement program is being accomplished without the competition for resources that would be present following mobilization. The three year time period for assembly could actually increase following mobilization, thus the emphasis on funding and procurement of DEPMEDS.

The direct reply to your question is, yes, there are plans which address equipment, aeromedical evacuation, and manpower required to meet overall 15-day evacuation policy. Initiatives for these areas are being addressed under the Medical Readiness Strategic Plan (MRSP). Because of the long lead time required to procure the necessary equipment, full time-phased integration has not yet been implemented although the issue is being addressed. The purpose of the MRSP is to provide the framework and visibility required to integrate all readiness initiatives.

In addition to MRSP, to further ensure integration of the equipment and manpower aspects of medical readiness, the Department is undertaking a comprehensive internal review designed to develop a well-defined set of goals for DEPMEDS and medical manpower programs. The review will define the requirements for support of the forces deployed to each theater under the Defense Guidance Illustrative Planning Scenario and the most demanding operations plan for each theater. It will establish protocols for use of the Medical Planning Module in assessing workload-related wartime medical requirements, and base any non-workload-related requirements on the services' force structures. Finally, it will provide an analysis of the reasonableness of alternative assumptions on battle casualty rates and populations at risk consistent with existing deployment schedules.

MEDICAL CLINICS

Senator Glenn. Each of the individual services is proceeding with implementation and expansion of initiatives within their own system to provide contracted civilian staffed, medical clinics. The Army and Air Force have PRIMUS and the Navy has NAVCARE clinics.

Would each of the uniformed representatives respond to the following questions:

Would each of you tell us how many facilities you have, where they are located, and how much they cost?

What trends do you see in the utilization rates of these facilities? Are they comparable to military treatment facility utilization rates and are the utilization rates higher or lower than originally porjected?

Do you plan to expand your programs in future years, both the number of clinics operated and services available?

General Becker. The Army currently has four clinics in operation. They are located in; Fairfax, Burke, and Woodbridge, VA, and one in Savannah, GA. Contracts have been awarded for six additional clinics in fiscal year 1988. These clinics will be located in Fayetteville, NC; Columbus, GA; Harker Heights, TX; Copperas Cove, TX; Presidio of Monterey, CA and Salinas, CA. Each clinic currently in operation is annually budgeted at $2.5 million dollars for work load of 48,000 clinic visits plus 3,000 follow-up care visits. The new clinics, scheduled to open in May and June of this year, will cost approximately $5.8 million; $920,000 at each clinic in Texas, $750,000 at each California clinic and $1.2 million at the clinics in Columbus, GA, and Fayetteville, NC. Costs at the Northern Virginia PRIMUS clinics have exceeded budgeted amounts due to beneficiary demand beyond initial estimates; costs will more closely approximate $3M.

Trends in the utilization rates of these facilities are high due in part to improved access for the eligible beneficiary and the fact that these clinics are located in high CHAMPUS cost areas. Utilization of these successful clinics cannot be directly compared to the utilization of the military Medical Treatment Facility since they are both part of the direct care system and PRIMUS offers an alternative to the overburdened treatment facility. Actual work load for fiscal year 1987 indicates that the PRIMUS centers were utilized at a greater rate than anticipated as 66,000 additional visits were generated by the Northern Virginia clinics over what was originally programed.

While the Army does not intend to expand this program during fiscal year 1989, our overall plan calls for 26 clinics by the end of fiscal year 1992. It is envisioned that no significant changes will be made to the current scope of services provided.

PRIMUS AND NAVCARE CLINICS

Senator Glenn. Would each of the uniformed representatives respond to the following questions: Would each of you tell us how many facilities you have, where they are located, and how much they cost?

Admiral Zimble. Navy now has four established NAVCARE clinics with six new NAVCARE clinics opening in July 1988. The budget costs for these clinics for fiscal year 1988 are:

[In thousands of dollars]

Location	*Cost*
Group I:	
Camp Lejeune	$1,783
Norfolk I	3,026
San Diego I	3,200
Mayport	1,775
Group II:	
Norfolk II	$1,171
San Diego II	1,171
Charleston	819

Location	*Cost*
San Francisco	1,171
Oceanside	819
Long Beach	1,171

The second group of NAVCARE clinics are scheduled to open 1 July 1988 and costs shown are for one quarter. All NAVCARE clinics offer primary care; chronic care services and mammography are being added. In addition to the annual costs, the second group of NAVCARE clinics has a one-time start-up cost of $2,685,000.

Senator GLENN. What trends do you see in the utilization rates of these facilities? Are they comparable to military treatment facility utilization rates and are the utilization rates higher or lower than originally projected?

Admiral ZIMBLE. The use of these clinics has increased from a total average of 554 outpatient visits per day to 726 outpatient visits per day. A comparison of NAVCARE and hospital-based outpatient workload has been difficult because of the differences in the level of services being provided—primary care compared to specialized care.

The number of outpatient visits at the NAVCARE clinics is what was expected, except for the clinic located outside Camp Lejeune. This one has exceeded our projections.

Senator GLENN. Do you plan to expand your programs in future years, both in the number of clinics operated and services available?

Admiral ZIMBLE. In each fiscal year 1990, 1991, and 1992, we are planning to add two additional NAVCARE-type clinics which also will offer primary care, chronic care, and mammography services.

PRIMUS AND NAVCARE CLINICS

Senator GLENN. Would each of you tell us how many facilities you have, where they are located, and how much they cost?

General CHESNEY. We plan to let contracts for our first four clinics late this fiscal year. They will be located near Davis-Monthan AFB (Tucson AZ), Offutt AFB (Omaha NE), Mather AFB (Sacramento CA) and March AFB (Riverside CA). We plan a fifth near MacDill AFB (Tampa FL) in fiscal year 1989. We have budgeted $14.5 million in fiscal year 1989 for the five clinics.

Senator GLENN. What trends do you see in the utilization rates of these facilities: Are they comparable to military treatment facility utilization rates and are the utilization rates higher or lower than originally projected?

General CHESNEY. I will defer to my sister services since the Air Force has no experience, as yet, to draw from.

Senator GLENN. Do you plan to expand your programs in future years, both in the number of clinics operated and services available?

General CHESNEY. We think they provide a partial solution to the need for increased accessibility to primary care. We will closely monitor beneficiary satisfaction, with the clinics and associated cost-effectiveness during fiscal year 1989. The related findings will help us determine the success of the clinics and the desirability of expanded clinical service offerings.

PRIMUS AND NAVCARE CLINICS

Senator GLENN. Dr. Mayer, each of the individual services is proceeding with implementation and expansion of initiatives within their own systems to provide contracted civilian staffed, medical clinics. The Army and Air Force have PRIMUS clinics and the Navy has NAVCARE clinics.

Have you considered the eventual incorporation of these initiatives into a Department of Defense nation-wide initiative or are there benefits to continuing these clinics as independent service programs?

Dr. MAYER. No plans are now being considered to incorporate these clinics into a Department of Defense nationwide initiative. We believe there are benefits of sufficient merit to justify their continuation as independent service programs at the present time.

Senator GLENN. Have you done any cost-benefit analysis of these programs?

Dr. MAYER. We in Health Affairs have not conducted any cost-benefit analysis of these programs. However, as you may be aware, the Department of Defense Inspector General, at the request of the conferees on Department of Defense Appropriations for fiscal year 1988, is conducting an inspection, audit and evaluation of the current and proposed PRIMUS and NAVCARE facilities and contracts. The IG will inspect the facilities and evaluate both the management of these facilities and the management of the contracting process, with recommendations for improvement. In addition, it is my understanding that the IG will audit the budgeted and actual costs of the clinics, the cost comparison of this care with CHAMPUS, and provide guidance on how to ensure reasonable cost expenditures for the clinics, among other things.

Senator GLENN. Does the Department of Defense consider these facilities to be extensions of military treatment facilities?

Dr. MAYER. Yes, the Department of Defense does consider these facilities to be extensions of the military treatment facilities, as do the medical departments of the services.

Senator GLENN. Dr. Mayer, last year the House Appropriations Committee included language in their fiscal year 1988 Defense Title which would have required that fees, comparable to the CHAMPUS cost share, be charged for care received in the civilian-run primary care clinics by active duty dependents and retirees and their dependents. What are your views on this provision?

Dr. MAYER. This issue has been reviewed at some length. There are those who believe that because these facilities have the effect of expanding the space and staff available to treat beneficiaries and retirees, some sort of fee would be in order and that the recipients of care should share in the cost involved in making the additional facilities available. There are also those who contend that the administrative cost involved in collecting the fee would be a major portion of the amount collected, and therefore the effect would be minimal. However, the imposition of copayments also carries with it the possibility that non-active duty patients would be driven back to CHAMPUS, thereby exacerbating the cost problems with that program. The Department currently has no plans to propose that a user fee be charged at these facilities.

USER FEES FOR PRIMUS

Senator GLENN. Dr. Mayer, last year the House Appropriations Committee included language in their fiscal year 1988 Defense Title which would have required that fees, comparable to the CHAMPUS cost share, be charged for care received in the civilian-run primary care clinics by active duty dependents and retirees and their dependents.

Do any of the uniformed representatives have any comments on this?

General BECKER. The Army opposes user fees for PRIMUS clinics as it could adversely affect morale. These changes would be perceived as a loss in total compensation and an erosion of benefits. Additionally, imposing user fees would thrust the contractor into costly fee collection activities; requiring additional staff to collect cash fees, create bills for delayed payments and pursue collection of unpaid debts. These costs would be passed back to the government by way of increased charges. Also, since PRIMUS is part of the direct care system, initiating user fees could ultimately lead to implementing them in the military medical treatment facilities.

PRIMUS AND NAVCARE CLINICS

Senator GLENN. Dr. Mayer, last year the House Appropriations Committee included language in their fiscal year 1988 Defense Title which would have required that fees, comparable the CHAMPUS cost share, be charged for care received in the civilian-run primary care clinics by active duty dependents and retirees and their dependents. What are your own views of this provision? Do any of the uniformed representatives have any comments on this?

Admiral ZIMBEL. The Navy appealed the House Appropriations Committee's recommendation to require non-active duty recipients of care at NAVCARE clinics to share in the cost of healthcare (user fee).

Copayments are contrary to the intent in establishing NAVCARE clinics as part of the direct care system and as a lower-cost alternative to CHAMPUS. Imposing user fees very likely would drive non-active duty patients back to CHAMPUS thereby exacerbating the rapidly rising cost of CHAMPUS. Further, the administrative cost of collecting co-payments would be passed to the Navy as an increase in the contractual cost.

NAVCARE clinics were designed to be a low-cost and attractive alternative to beneficiaries who could not receive care at military treatment facilities and who sought care through CHAMPUS. Patients who could not obtain appointments in the primary care/acute care clinics, can be seen at a NAVCARE clinic. NAVCARE clinics also act as a referral source. Patients requiring specialized care can be referred from a NAVCARE clinic to the military treatment facility, thereby keeping the patient within the direct care system and away from CHAMPUS. In addition, these referrals increase the use of Navy physicians' specialty capabilities.

GRADUATE MEDICAL EDUCATION

Senator **Glenn**. Dr. Mayer, the Department of Defense Graduate Medical Education Committee was chartered in February 1986 and produced its final report in September of 1987.

One of the committee's recommendations was to establish a new special program for the Reserves. Under this program, physicians with specific disciplines required in wartime would be trained in civilian residency programs. This program would provide a pool of physician specialists that could be rapidly mobilized with just a few days notice.

Could a special reserve pool comprised of these physicians be developed and how quickly could they be mobilized?

Are you pursuing implementation of this recommendation?

Would any legislative initiatives be required to implement this program?

Dr. **Mayer**. A special reserve pool comprised of physicians with specific disciplines could be developed and designated as early mobilizing assets. In fact, Reserve personnel can—and in many cases, will—be mobilized in the very early stages of war. However, we have not yet pursued implementation of this recommendation, which would require additional legislation, since there may not be a need to add another category of Reserve personnel to the existing system at this time. Two programs currently available to Reserve component physicians training or practicing in the shortage specialties provide stipend and loan repayment assistance. To advertise these incentive programs, I began a national publicity campaign, including the Direct Mail Marketing Campaign, in March, 1988. Thus far, the response has been gratifying. I am closely monitoring the results of this national publicity campaign, as well as the effectiveness of the Stipend and Loan Repayment Programs and the development of innovative, service-specific programs—for instance, expanding and maximizing the effectiveness of the Individual Ready Reserve. I want to give these various efforts an opportunity to demonstrate their usefulness before I request legislative assistance for, or implement, a new Reserve program.

Senator **Glenn**. Dr. Mayer, do all graduate medical education programs in military medical facilities maintain full accreditation?

If not, why not?

What portion maintain full accreditation?

Dr. **Mayer**. We have a total of 252 programs, at 31 teaching facilities with accredited spaces for 3,548 residents and fellows. Ninety-six percent or 242 of the 252 programs are fully accredited by the appropriate Residency Review Committee. Of the remaining ten: (a) six have provisional status—a normal status with new programs, (b) four have probation status—we are working with the appropriate committees and institutions to assist those programs to attain continued full accreditation.

Senator **Glenn**. By contracting our peacetime services to the civilian sector will our military medical facilities be more likely to have trouble maintaining accreditation?

Dr. **Mayer**. Contracting for peacetime healthcare services will not affect the accreditation of our graduate medical education programs. The DOD is contracting with the private sector to augment healthcare only when present military resources are insufficient to provide the care. Contracting for healthcare helps obtain timely healthcare for our beneficiaries.

Senator **Glenn**. Are refresher courses now available for physicians with critical wartime skills?

Dr. **Mayer**. Refresher and cross training courses are available for physicians with peacetime skills. The Combat Casualty Care Course has been enhanced and expanded. This intensive 2-week training exercise conducted under field conditions gives military physicians the opportunity to treat "casualties" in a combat environment. The course is to be expanded this fall by exporting it with mobile medical teams to the National Guard and Reserves. In addition, we now have a schedule to implement joint service skills enhancement training programs for general and orthopaedic surgery.

COST-SHARING CHAMPUS SYSTEM

Senator **Glenn**. General Becker, one of the recurring complaints the subcommittee receives from military health care beneficiaries is that they are handed nonavailability statements and must turn to cost sharing CHAMPUS system when there appears to be idle capacity in many of our facilities.

How much idle capacity do you estimate you have in your facilities and what is the reason for it? What is your peacetime capacity and how do you match up with that capacity? Would you please provide this for each of the services.

Do you have a plan to bring the utilization of your facilities to 100 percent capacity?

General **Becker**. The Army Medical Department operates 49 hospitals world-wide. These facilities, for the most part, were constructed some years ago when greater emphasis was placed on inpatient care. Over 60 percent of these facilities are more than 20 years old. In terms of inpatient capacity, the average number of beds operated is currently about 68 percent of the normal constructed capacity. It also must be recognized that some of this space has been converted to clinic use to accommodate the increased proportion of ambulatory care as well as to provide space necessary for expansion of ancillary support activities due to technological equipment enhancements in such services as radiology and pathology. Where idle capacity exists it is due primarily to a lack of facilities, staff, or equipment. Generally, staff shortage is the most limiting of these factors.

In terms of demand, during fiscal year 1987 Army hospitals admitted 405,515 patients and issued 34,091 CHAMPUS non-availability statements. This demonstrates that 92 percent of the inpatient care required within Army hospital catchment areas was accommodated within our facilities. The primary reason for issuing these non-availability statements was "lack of staff."

The Army submitted an initiative entitled the Army Medical Enhancement Program (AMEP) with the fiscal year 1987 budget. This plan was designed to bring staffing at Army Medical Treatment Facilities within 95 percent of manpower requirements over a 3-year period. The undertaking called for an additional 4,000 workyears to support direct medical activities. The initial phase of this program was funded and executed in fiscal year 1987 with market improvements in the direct care system. However, budget constraints in fiscal year 1988 have stagnated this initiative and it is doubtful that the goal of staffing to 95 percent of requirements will be achieved by fiscal year 1989.

MEDICAL FACILITIES MANAGEMENT AND UTILIZATION

Senator **Glenn**. Admiral Zimble, one of the recurring complaints the subcommittee receives from military healthcare beneficiaries is that they are handed nonavailability statements and must turn to the cost-sharing CHAMPUS system when there appears to be idle capacity in many of our facilities.

How much idle capacity do you estimate you have in your facilities and what is the reason for it. What is your peacetime capacity and how do you match up with that capacity? Would you please provide this for each of the services?

Admiral **Zimble**. Naval hospitals on the average are operating at 44 percent of their peacetime capacity. This is attributable to the lack of growth in endstrength for active duty healthcare personnel. There is peacetime capacity available for 7,636 beds at Naval hospitals and 3,354 beds are being used for patient care.

Senator **Glenn**. Do you have a plan to bring the utilization of your facilities to 100 percent capacity?

Admiral **Zimble**. Optimum utilization for a hospital is between 75 and 85 percent of capacity. We would use 100 percent of our hospital capacity only during wartime. The Navy's fiscal year 1988/89 medical plan provided last summer to Congresswoman Byron and Senator Glenn outlined the immediate manpower goals to "get well" by fiscal 1992. The Naval Medical Strategy seeks to optimize use of our medical facilities. A key ingredient in this strategy is the $98 million of contracting in the President's amended fiscal year 1989 budget. Navy plans to use the funds to develop numerous health services contracts which will bring physicians and nurses into Naval hospitals and make use of this capacity, as well as reduce reliance on CHAMPUS. Contracts were awarded in fiscal year 1988 at six Naval hospitals for radiology, general surgery, internal medicine, obstetrics and gynecology, pediatrics, and psychiatry. Contracts for emergency medicine services and ambulatory care will be awarded in September 1988. Nursing services contracts have top priority for award in fiscal year 1989.

Senator **Glenn**. General Chesney, one of the recurring complaints the subcommittee receives from military healthcare beneficiaries is that they are handed nonavailability statements and must turn to the cost sharing CHAMPUS system when there appear to be idle capacity in many of our facilities.

How much idle capacity do you estimate you have in your facilities and what is the reason for it? What is you peacetime capacity and how do you match up with that capacity? Would you please provide this?

General **Chesney**. We do not have idle capacity in Air Force medical treatment facilities because all the space in our hospitals and clinics is being used to provide or support patient care activities. The way patient care is provided today, both in the military and civilian communities, it is difficult and inappropriate to quantify the size or capacity of medical facilities strictly in terms of constructed or operating beds. Most Air Force hospitals were built before 1970. Over time the space currently not used for inpatient care has been converted to other patient care uses, such as outpatient clinics, where we still have an unmet shortage of provider offices and provider examination rooms to support our outpatient care efforts. The ability to return this space to inpatient use in the event of wartime remains because space conversions did not permanently remove necessary inpatient systems.

Bed occupancy in Air Force hospitals is a function of many inter-related factors including the number and specialty mix of providers, the available support staff, and the availability of operations and maintenance funding. Given sufficient resources and flexibility in their application, we believe we could reduce the total cost to the government by redirecting patients who now must obtain their care from CHAMPUS into our direct care system.

Senator **Glenn**. Do you have a plan to bring the utilization of your facilities to 100 percent capacity?

General **Chesney**. Yes. AFMED 95-PLUS, which outlines our strategic direction, is founded on developing a system of "managed healthcare" in Air Force catchment areas. A basic principle of managed healthcare is to reduce total costs to the government by maximizing utilization of our hospitals. This is consistent with the goals and objectives of the DoD Project Restore. We feel this can be best achieved through catchment area management, as I have described it in my earlier testimony.

A number of significant obstacles must be overcome to achieve our strategic direction. First, we must increase our recruitment and retention of selected specialists; including OB/GYN and psychiatric physicians. These are the two highest cost specialty services under CHAMPUS. A recent study shows physician retention is proportional to the gap between military and civilian incomes (the larger the gap, the lower the retention). Current policies restrict our use of the Incentive Special Pay Program to recruit and retain certain specialties. We are planning to request across the board special pays increases in the Biennial Review of Special Pays to Congress in September 1988. Second, the maintenance and repair of our facilities must be improved. Our Project Sustain has identified specific resources requirements by facility to bring our hospitals up to acceptable standards. At the same time, we must address the need for changes in the configuration of our hospitals to enhance the efficiency of our providers. Third, O&M funds supporting the direct care system must be sufficient to accomplish added workload. We are currently asking our hospitals to do more workload in-house at a time when they are faced with negative real growth in their budgets. Fourth, we must provide local hospital commanders the authority and flexibility (including using CHAMPUS funds) to initiate innovative alternative delivery mechanisms which would complement efforts to increase in-house utilization.

I am confident our hospital managers are prepared and anxious to press on with the strategic direction we have outlined. We need congessional support to make it happen.

DIRECT CARE SYSTEM

Senator **Glenn**. Dr. Mayer, you indicate in your statement that the direct care system can provide no more than 70 percent of all the medical care needed by your beneficiaries. If you could operate your facilities at 100 percent capacity what would be the percentage?

Dr. **Mayer**. The question of how much additional care fully staffed and equipped hospitals could deliver can only be answered on a case-by-case basis. We have in our inventory facilities that were built from the 1800's right up to the present. Each is a reflection of the best method of providing care at the time they were planned. Changes in medical practice and technology have placed downward pressure on inpatient utilization rates and upward pressure on the rate of outpatient utilization. Since these changes take place much more quickly than we are able to modernize or replace our facilities, the risk on the inpatient side is not that the demand for care will not exist but that we will not have sufficient outpatient capability to support inpatient demand. The outpatient and ancillary capabilities of a facility become key holes through which the inpatient requirement must pass. That portion or our existing inpatient capacity of more than 30,000 beds that can be utilized is a direct reflection of the capability of each facility's outpatient and ancillary services. Do we have the capacity of delivering more needed care with additional human and financial resources—yes. We have initiatives under way such as the CHAMPUS Reform Initiative, Project Restore and Civilian Contracting that will bring workload into the direct care system. How much cannot be precisely stated. It is dependent on what additional resources are available and where they are employed.

Senator GLENN. Dr. Mayer, CHAMPUS costs in 1988 are $2.7 billion according to your statement. This is about 20 percent of the total budget for military health services. What do you estimate would be the cost of providing all military health services under the direct care system?

Dr. MAYER. I cannot even begin to come up with a viable estimate. Our direct care system was not constructed to provide all military health care. Even at the 100 percent capacity level of operation discussed in the previous question, we could not handle the total needs of our beneficiaries. The system was not designed to handle this care and we could not provide an estimate of any value unless economic analyses were done covering our total population of beneficiaries, with the added assumption that all care would be received in-house.

MILITARY HEALTHCARE

Senator GLENN. Dr. Zimble, I believe you are on the record as advocating that all military health care should be provided through the direct care system. In other words, you apparently favor taking care of all beneficiaries in your own facilities or in facilities that you control. If this is so, how feasible is this?

Admiral ZIMBLE. I have gone on record stating that I would prefer to provide all military health care within the direct care system using uniformed providers. I believe that we can provide quality care more effectively and efficiently with the attendant benefits of increased war time readiness, beneficiary satisfaction and improved physician morale and retention. While I would like to see each and every beneficiary have full access to direct care because I believe that we can do the job best, I realize that it is probably not practicable or cost effective to make that our goal.

Our goal is to provide full access within the direct care system wherever it is reasonable and cost effective to do so, and to ensure that all beneficiaries to whom we cannot provide direct care access continue to have full access to quality alternative health care programs. I recognize that we would be unable to offer total care without a substantial increase in personnel, facilities and funding. Meeting the goals that I outlined above will require additional resources, but I know that the investment would pay off in increased readiness, improved beneficiary morale and long term dollar savings.

Navy has initiated the capital investment flow required by this goal. In order to greatly enhance beneficiary access, we have budgeted a substantial increase in health services contracting. This initiative will expand access while reducing the overall rate of growth in the cost of care that we have been experiencing. Contracting will be utilized until we are able to increase our physician, nurse and medical technician manpower sufficiently to pick up the load, I can assure you that Navy is moving toward that objective with all possible speed given our ability to competitively recruit and retain physicians and nurses, and the time required to train and provide essential "hands-on" experience to sufficient numbers of fully qualified technicians.

Senator GLENN. General Becker, I believe you are on record as advocating that all military health care should be provided through the direct care system. In other words, you apparently favor taking care of all beneficiaries in your own facilities or in facilities that you control.

Is this so, and if so, how feasible is this?

Would you give us your view?

General BECKER. Generally, we would prefer to meet the health care needs of our beneficiaries through the direct care system. When a patient's need cannot be accommodated within our direct care system, we must refer the patient to the civilian sector under the CHAMPUS program or to MEDICARE. This alternative is frustrating for our providers, more costly, and normally not as acceptable to our beneficiaries as care in the direct care system.

The direct care system should be relied on to provide peacetime care when the provision of this care satisfies a readiness requirement or when it is more cost effective to provide care through the direct system. Of course, for those beneficiaries that do not reside near a military treatment facility, the civilian sector must be used.

MEDICAL FACILITIES MANAGEMENT AND UTILIZATION

Senator GLENN. General Chesney, I believe you are on record as advocating that all military health care should be provided through the direct care system. In other words, you apparently favor taking care of all beneficiaries in your own facilities or in facilities that you control. Is this so, and if so how feasible is this?

Would you give us your view?

General **Chesney**. It would be impossible to provide for all beneficiaries in our facilities, particularly outside our catchment areas. We are neither sized nor funded to do that. In remote areas, tertiary care demand would not be sufficient to justify assignment of sub-specialists. The Air Force advocates providing or arranging the health care services needed by beneficiaries living in the catchment areas around our medical facilities. A catchment area is normally about a 40 mile radius around an Air Force hospital. We have recently published AFMED 95–PLUS, our strategic direction, which defines our mission and articulates our basic values. One of these basic values is a "commitment to sizing and staffing on-base medical facilities to provide maximal non-fragmented family care." That basic value is reflected by developing and operating a comprehensive community-based health care system that maintains the health and morale of Air Force members by providing or arranging timely quality medical service . . ." We firmly believe that it should be the local MTF commander's responsibility to provide those services in the military hospital/clinic system whenever possible, supplemented by other federal sources or arranged civilian sources when necessary. Then the catchment area beneficiaries will be able to depend upon a single source to provide their care, or "find" and arrange for convenient, high quality services at a reasonable cost to both the government and the patient.

Catchment area management gives the MTF commander a strong incentive to make the most efficient use of his own facility and staff; and to closely manage services delivered by civilian sources since all resources (including CHAMPUS dollars) would be in his budget. Local control of those added resources increases the commander's flexibility to efficiently manage in-house while providing the leverage for negotiating cost efficient services from quality local providers for care beyond the MTF's capability. We have catchment area management demonstrations planned in Las Vegas and Phoenix beginning late this year. However, if provided some flexibility in the use of our CHAMPUS dollars for other than paying CHAMPUS claims we could effectively apply some of the management principles of this concept now to improve access to affordable health care for our beneficiaries, at other selected locations.

CATCHMENT AREA MANAGEMENT

Senator **Glenn**. Dr. Mayer, in a September 1987 report to Congress you stated your intention to move forward with a demonstration of the catchment area management concept.

The Congress supported the concept and directed DoD to move forward with a demonstration program involving participation by all of the services.

What are your estimated startup costs?

Dr. **Mayer**. The estimated startup costs will depend upon the complexity of the design that the services propose to implement the concept. The Air Force has estimated that it will spend approximately $4.0 million from its fiscal year 1988 Operations and Maintenance Appropriation to develop and implement the catchment area management concept at two sites, Las Vegas and Phoenix in fiscal year 1989. Their cost estimates include project staff, optimization analysis of each site, development of an enrollment system, modification of a claims processing system and the initial marketing and implementation of the concept.

Senator **Glenn**. How do you envision the enrollment feature functioning? Would those persons enrolled have priority in military treatment facilities?

Dr. **Mayer**. We envision that the enrollment system established in the catchment area management demonstration projects would enroll all CHAMPUS eligible beneficiaries in a health care plan, either the current CHAMPUS program or one or more alternatives that may consist of a variety of combinations of MTF and civilian providers. Depending upon how the plans are structured, persons enrolled in certain plans may have priority in the military treatment facilities. This "priority" question is one of the areas that will be reviewed by the DoD General Counsel prior to any plan being approved by my office for implementation.

Senator **Glenn**. Is catchment area management an alternative to the CHAMPUS Reform Initiative?

Dr. **Mayer**. The National Defense Authorization Act for fiscal years 1988 and 1989 mandated the conduct of Catchment Area Management and other demonstration projects as alternatives to the CHAMPUS Reform Initiative. The project evaluations will help pinpoint those features in each that are most beneficial.

Senator **Glenn**. Isn't the long term objective of the catchment area approach to rely less on the cost sharing CHAMPUS program and to provide more services through the direct health care system?

Dr. **Mayer**. The long term objective of both the CHAMPUS Reform Initiative and the catchment area management demonstration project is to provide the highest quality health care services to the beneficiary population in the most cost effective manner to the Department. At each catchment area management demonstration site, we expect the commander to, in keeping with his readiness mission, continue and expand those services which he can do most efficiently in the direct care system while relying upon contracts or other special arrangements with local civilian health care providers and practitioners to provide those services for which they are more cost effective.

CATCHMENT AREA MANAGEMENT

Senator **Glenn**. General Chesney, your prepared statement suggests possible expansion of catchment area management prior to completion of the demonstration projects. What do you have planned and what is the time table for expansion of this program?

General **Chesney**. A major goal of the Air Force Medical Service is to increase access to high quality, affordable health care services and to reduce the complexity for our beneficiaries in obtaining this service. Catchment area management offers an effective means for achieving that goal. The principles upon which catchment area management is founded are embodied in DoD's Installation Management Policy. That policy consists of the following:

1. Commanders should be delegated broad authority to decide how best to accomplish the mission, and are accountable for all resources applied to the mission;
2. Headquarters staff activities shall be directed toward facilitating the commander's ability (flexibility) to accomplish the mission;
3. Commanders should be free to purchase goods and services whenever they can get the combination of quality, responsiveness, and cost that best satisfies their requirements; and
4. Unless prohibited by law, a share of any resources saved or earned should be made available to the commander to improve operations and conditions locally.

We are working with our major commands now to identify selected catchment areas with the right combination of high CHAMPUS costs, highly competitive civilian health care market, excess MTF capacity and innovative MTF management. By July we plan to have specific proposals that detail potential CHAMPUS cost savings if given the authority to apply CHAMPUS dollars to support those initiatives. These might include hiring of needed provider support staff, allowing our provider to be more productive; negotiating cost-effective preferred provider agreements for selected services; or buying a piece of diagnostic equipment allowing lower cost than buying that service downtown.

We will provide these proposals to Congress in seeking approval to use some CHAMPUS dollars in fiscal year 1989 at these selected locations. This will give those local commanders the flexibility and leverage needed to pursue these innovative, cost-saving initiatives. I needed your support in this worthwhile endeavor.

CATCHMENT AREA MANAGEMENT

Senator **Glenn**. Dr. Mayer, do you have any comments on expansion prior to the completion of the demonstration projects.

Dr. **Mayer**. The catchment area demonstration projects will be approved for a two year demonstration period. During this period there will be a single Tri-Service Evaluation Plan and evaluation contractor. The individual service demonstrations will be evaluated against a single set of criteria. In addition these demonstration will be compared with the other demonstrations that are already on-going, such as CHAMPUS Reform Initiative, Fort Drum and the Tidewater mental health project. As I mentioned before, we are trying to learn which of these concepts is most cost effective and under what circumstances. Our intent is not to expand any of these concepts until they have proven to be both efficient and cost effective.

CHAMPUS REFORM INITIATIVE

Senator **Glenn**. Dr. Mayer, you have devoted a lot of time and effort implementing the CHAMPUS Reform Initiative and the Senate has supported your efforts. We had all hoped that this initiative would bring improvements for health care delivery in the Department of Defense. It looks now that the scope and schedule you had planned on will fall short of what we had been led to expect. The Department of Defense has awarded only one contract and it is to the Foundation Health Corporation for the California/Hawaii region of the CHAMPUS Reform Initiative.

Does the current contract award for this region meet the objectives you had currently laid out for the CHAMPUS Reform Initiative?

What is your current implementation plan for this and future phases of CRI?

Dr. **Mayer.** The CRI contract awarded for the California/Hawaii region meets all of the objectives which were set forth in the RFP as the basis for awarding a contract. There were five objectives:

1. To improve beneficiary access to care, especially for primary and preventive care services.—Beneficiaries will be able to enroll voluntarily in a program called CHAMPUS Prime which will provide greater access to affordable health care, as an alternative to overcrowded military hospitals. The beneficiary's cost share for most visits to doctors will be only five dollars. CHAMPUS Prime will also offer all beneficiaries new preventive care services not paid for by standard CHAMPUS, charge lower copayments than the current 25 percent for hospital care, and eliminate the requirement for beneficiaries to file claims. Beneficiaries will also be able to use a program called CHAMPUS Extra with no enrollment feature. It, too, will provide increased access to health care for less cost per service and eliminate the claims filing requirement. Finally, current beneficiary rights to use military facilities and civilian providers of choice under standard CHAMPUS will remain.

2. To improve coordination between military and civilian components of the military health services system.—Contractor personnel, as part of the Health Care Finder function, will be made available in all military catchment areas in California and Hawaii to help beneficiaries obtain referrals or appointments for services in the most appropriate setting, whether in a military facility or with civilian providers, improving beneficiary access to care and assuring optimal use of military hospitals. Efficient use of military hospitals also will be increased through agreements between the contractor and commanders of military hospitals for the contractor to provide civilian staff and other resources to the military hospital whenever possible in order to expand availability of care in military hospitals and avoid the higher cost of care in a civilian facility.

3. To reduce CHAMPUS costs for beneficiaries and the Government.—Reduced beneficiary costs have been addressed above. The intent of the Department in establishing a fixed-price CHAMPUS contract is to create strong incentives for efficiency and cost-effectiveness in the delivery of high quality health care services. Potential modifications to the fixed price have been built into the contract to make it financially feasible, but without eroding the vital incentives. Subject to these modifications, based on already set formulas to account for unpredictable events, the fixed prices, which total approximately $3 billion over a potential five-year contractual relationship, are less than CHAMPUS is projected to cost without the contract. Thus, the Department has met its commitment to award a contract only if its cost apparently will be no greater than what CHAMPUS would cost without the Reform Initiative. The Government always retains the ability, at the end of each contract option period (never more than a year in duration) to elect against continuing the contract.

4. To provide quality care.—Another objective of the CHAMPUS Reform Initiative is to increase the ability of DoD to monitor the quality of care provided to CHAMPUS beneficiaries in the civilian sector. Under the contract, Foundation Health Corporation will maintain a state-of-the-art quality assurance program with a high percentage of board-certified physicians and an active CHAMPUS Quality Assurance Committee. The quality assurance program includes appeal and grievance processes to ensure that concerns are addressed in a timely and objective manner, and a utilization review process to monitor the use of health care services for appropriateness. Under separate contract, DoD will also maintain a separate, independent, peer review actively to monitor quality.

5. To simplify CHAMPUS procedures.—Under the Standard CHAMPUS Program beneficiaries often file their own claims. Under the CHAMPUS Prime and CHAMPUS Extra options, there is no beneficiary claims filing.

The Department is in a six month implementation period currently and is on track to begin services August 1, 1988. The Department expects this contract to operate for at least one year prior to any decision on expansion of the program outside California and Hawaii.

Senator **Glenn.** Dr. Mayer, I understand that the Navy has recently awarded a contract which includes four new NAVCARE clinics in California bringing the total to six in that state.

What effect will the services of these NAVCARE clinics have on your assessment of the CHAMPUS Reform Initiative?

Will similar services be offered by both programs to the same beneficiaries?

Can you accurately determine the costs and savings associated with either program in this environment?

Dr. MAYER. Although contractor-operated, the Navy's NAVCARE clinics are extensions of the military medical direct care system, as are the PRIMUS clinics of the Army and Air Force. The Government and the CRI Contractor had access to the same information with regard to existing and projected clinics to use as the basis for workload estimates during contract preparation. Thus, these new clinics, although they will provide some similar kinds of services to some of the same beneficiaries, pose no problems for the implementation or assessment of the CHAMPUS Reform Initiative.

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

OPTOMETRIC CARE

Senator SHELBY. I am concerned that the shortage of military optometrists in all three services has accelerated in recent years to the point that these shortages, particularly in the Army, have reached critical levels. Fort McClellan, in my home State of Alabama, has a requirement for four optometrists yet it has only one optometrist.

What are DOD and the services doing to address these critical shortfalls of optometrists?

Dr. MAYER. I would be reluctant to characterize the staffing levels of military optometrists as having critical shortages. The primary mission of the Military Health Services System is, and will continue to be, medical wartime readiness. Against tometrists; the number of optometrists available in the Active and Reserve compotometrists; the number of optometrists available in the active and reserve components are well in excess of wartime requirements. I reserve the term "critical shortages" for wartime staffing levels far worse than that.

However, the Active component must also address the peacetime health benefits mission in addition to its wartime readiness role. Until recently, the number of military optometrists assigned had met or exceeded authorized levels; the staffing level of military optometrists for all three Military Departments averaged above 100 percent from fiscal year 1982 to fiscal year 1986. During this period, however, there was a reduction in both the authorizations and the assigned optometrists. In fiscal year 1986, the staffing level was 96 percent; however, at the end of fiscal year 1987, the staffing level has dropped to 86 percent, primarily because of the low staffing level within the Army (76 percent).

Optometrists, along with physicians, dentists and veterinarians, are the only medical professionals who receive special pay to help attract and retain them in the military. Other medical disciplines, such as psychologists, pharmacists, and podiatrists, are not eligible for this special pay, which is an important recruiting and retention incentive available to the Military Departments. The Secretary of Defense has been directed by the Congress to assess the compensation levels of all military health care professionals. That assessment may find a need to improve the level of special pay for optometrists.

Since the Navy and Air Force do not have the optometry staffing difficulties to the extent reported by the Army, I will defer to that Department to address your concerns about optometry staffing in the Army in general and specifically at Fort McClellan.

Senator SHELBY. I am concerned that the shortage of military optometrists in all three services has accelerated in recent years to the point that these shortages, particularly in the Army, have reached critical levels. Fort McClellan, in my home State of Alabama, has a requirement for four optometrists yet it has only one optometrist.

What are DOD and the services doing to address these critical shortfalls of optometrists?

General BECKER. The Army is currently critically short military optometrists. The following strength figures reflect the historical trend and magnitude of the current shortage:

Year:	Authorized	Assigned [1]
1980	224	181
1981	207	209
1982	206	229
1983	193	250
1984	192	229
1985	178	200
1986	179	179
1987	193	148
1988	216	144

[1] Projected 1988.

In the 1970s the Army was chronically short of optometry officers due in large part to the cessation of the draft. The solution was the use of the Health Professions Scholarship Program (HPSP) for optometry students. HPSP input was not reduced to a steady state level which caused the optometry specialty to be in an average inventory status. The HPSP input for optometry was eliminated. The current shortage exists because of the following:

(1) The retention rates for the HPSP procured optometrists were lower than anticipated.

(2) The Army did not actively recruit for optometrists since 1980 because that career field was in a surplus status. Direct recruitment in substantial numbers did not begin until fiscal year 1987.

(3) There are higher salaries available in the civilian community.

To resolve the shortage, a Plan of Action has been developed which is comprised of the following elements:

(1) Recruit 30 Optometrists each fiscal year in the short term (2–3 Years).

(2) Maximize the number of ROTC Cadets who gain educational delays for optometry school.

(3) Maximize the number of civilian optometrists hired.

(4) Develop an officer distribution plan for optometrists.

(5) Develop an optometry retention plan.

(6) Review pay of optometry civil servants.

(7) Explore potential for a form of the Senior Optometry Student Program.

(8) Establish the long range steady state accession number for military optometrists.

(9) Obtain a listing of senior students in Optometry School and complete a mailout to these students.

(10) Complete a mailout to civilian optometrists.

(11) Forward a letter to each Army Optometrist asking for their support during the shortage.

(12) Utilize personal services contracts at those locations where there is no optometry coverage (military or civilian).

(13) Assign eight additional personnel into the Officer Procurement Division to recruit optometrists.

At Fort McClellan, there is currently one authorization for a military optometrist and one will continue to be assigned. There were four authorizations there approximately 2 years ago, however, three of these authorizations were reallocated to other specialties by the local command. This action was most probably taken due to the low potential for total fill given the current status of optometry officers in the Army. It is too early to predict the actual results that will be obtained from the current recruiting and retention efforts. In fiscal year 1987, the recruitment goal for optometry was 10. A total of 10 applications were received for direct accession onto active duty. Of the 10 applicants, 3 were not selected, 5 were selected but declined entrance onto active duty, and 2 were accessed. Additionally, 5 optometrists entered active duty from the ROTC Educational Delay Program. The number of applicants to date in fiscal year 1988 for direct procurement indicates that the steps taken toward alleviating the shortage may be sufficient to resolve the shortage by fiscal year 1992. The Army Medical Department will remain vigilant in monitoring the status of this career field and will request assistance from DOD if it is determined that current efforts are not sufficient to resolve the shortage.

QUESTIONS SUBMITTED BY SENATOR PETE WILSON

A DECENTRALIZED COMPUTER SYSTEM

Senator **WILSON**. Dr. Mayer, in light of the fact that the Department has made a contract award on this system, is there any basis, in your opinion for the Department to continue to demonstrate, at cost to DOD, the so-called VA decentralized computer system? Shouldn't the Department now focus its resources only on the system being developed under your contract?

Dr. **MAYER**. During the past two years the Department of Defense has been running the Veterans Administration Decentralized Hospital Computer Program (VA-DHCP) at both March Air Force Base and Fitzsimons Army Medical Center. The purpose of this demonstration project was to assess the feasibility and cost effectiveness of using the VA software in military medical facilities in lieu of a commercially procured Composite Health Care System [CHCS].

In an evaluation of the competing CHCS systems, the Department of Defense conducted the most comprehensive testing of a medical information system ever accomplished by DOD. The winning CHCS contractor, who used the VA system as its development nucleus and added features which responded to DOD specific requirements, will install its system in ten DOD hospitals for an operational test and evaluation.

In view of the fact that the winning vendor's CHCS is a VA-DHCP derivative, the feasibility of using a VA based system in military medical facilities has already been demonstrated. Discontinuing the VA test at March Air Force Base and Fitzsimons Army Medical Center would avoid future costs associated with data collection performed by a Defense contractor. The VA system would then be operated in a maintenance mode only to provide automation support to the hospitals until CHCS is installed.

COMPREHENSIVE DATA MANAGEMENT SYSTEM

Senator **WILSON**. The Department has also been able to sign a development contract for the comprehensive data management system, a system identified as a requirement close to 10 years ago. Would you update the committee on the Department's plans for moving ahead with the acquisition of this system?

Dr. **MAYER**. On March 4, 1988, DOD signed a contract with Science Applications International Corporation for the continued development and deployment of the Composite Health Care System [CHCS]. This system is a key component of the standard, integrated medical automation architecture being developed to support peacetime and mobilization operations and management information needs. The system will now be rigorously tested in ten operating hospitals, with their associated clinics. Concurrently, additional benefits analysis which is expected to strengthen the already positive benefit/cost ratio for this system will be conducted. The CHCS Operational Test and Evaluation will extend through Summer of 1989, with a DOD deployment decision expected in September 1989.

Based on currently programed funds, the following numbers of CHCS hospitals and clinics are scheduled for deployment each year:

Fiscal years	1988–89	1990	1991	1992	1993
Hospitals	10	19	14	5	7
Clinics	64	98	41	39	26

This schedule maximizes currently programed dollars by installing CHCS at the 37 percent of DOD hospitals which are responsible for 65 percent of the DOD direct care inpatient workload, and 50 percent of the clinics which handle 51 percent of the outpatient workload by 1994.

Deployment of CHCS will satisfy a great portion of the total medical automated information requirement. Complementary efforts in the theater and contingency environment are currently in earlier development stages. The centerpiece theater system, the Joint Theater Medical Information System, will link the Joint Theater Commander with each medical treatment facility in the theater of operations, manage medical logistical information for all services, support global patient evacuation, and support patient care functions in wartime. I am requesting additional support for JOTMIS deployment as part of the current DOD programing cycle.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

NONPHYSICIAN MENTAL HEALTH CARE PROVIDERS

Senator INOUYE. Admiral Zimble, previous surveys have suggested certain morale problems among military nonphysican mental health care providers, such as clinical psychologists, social workers, and psychiatric nurses. Are there openings in these specialties that are unfilled? What actions have been taken or are anticipated by the services to improve their recruitment and retention, provide training funds which will augment proficiency commensurate with their education and training? Do substantial differences exist for doctorate level nonphysician health care providers within the DOD?

Admiral ZIMBLE. There are 18 vacancies in the clinical psychology community which has 106 billets. Sustained efforts since 1986 by the Navy Recruiting Command, including advertising in the American Psychology Association publication, *Monitor*, increased contacts with university training programs, and mailings to licensed clinical psychologists, have resulted in only one licensed clinical psychologist being accessed into the Navy during the last three years. Advertisement in the same publication, however, has produced an increase in the quantity and quality of intern applicants. As a result, Navy is looking very closely at increasing the number of training slots for clinical psychologists.

Because accession appears to be a problem with clinical psychologists, a study group is evaluating ways to improve Navy accession and to enhance retention of existing providers. Among the factors being considered are professional pay for licensed clinical psychologists, board certified pay for long-range retention and quality of care, and enhanced outservice training in post-doctoral study. Additional enhancements include the recent establishment of a separate department of Psychology and Psychiatry at Naval Hospital Bethesda. This action will allow clinical psychologists to obtain department-head status and, based on nine months of experience, appears to be a successful endeavor.

Concerning training, I have proposed that each Medical Department officer be given the opportunity to attend a graduate medical education seminar each year. For clinical psychologists, the opportunity exists for post-doctoral education. At present there are three post-doctoral fellowship students and three candidates are scheduled for next fiscal year.

Promotion is based on each officers qualifications and is made within the DOPMA guidelines of promotion opportunity and flow points.

There are 18 billets for social workers and all positions are filled. Social workers are more easily recruited because pay is commensurate with or exceeds salaries in the civilian community. At present, we have one social worker attending full-time outservice training.

Our psychiatric nurse community has 54 positions and there are presently 40 psychiatric nurses onboard. Full-time outservice training is available to those qualified who request it and are selected. We have two nurses in full-time outservice training in psychiatric nursing, with another nurse preparing to begin outservice training. We also have nurses working in psychiatric nursing positions to gain the experience needed. Experienced nurses are encouraged to take the certifying examination. Within this nurse specialty, upward mobility is available to head nurse and department head.

There is no inconsistency within the Navy in the scope of practice, educational opportunities, and training of doctorate level psychiatric non-physician health care providers.

Senator INOUYE. General Becker, previous surveys have suggested certain morale problems among military non-physician health care providers such as clinical psychologists, social workers, and psychiatric nurses. Are there openings in these specialties that are unfilled? What actions have been taken or are anticipated by the services to improve their recruitment and retention, to provide training funds which would augment proficiency, increase promotion rates, and assure that their sphere of clinical practice is commensurate with their education and training?

General BECKER. The authorized and assigned strengths for each of these specialties are presented below:

Specialty	Authorized	Assigned
Clinical psychology	108	105
Social work	218	242

Specialty	Authorized	Assigned
Psychiatric nurse	176	150

These numbers, alone, do not adequately demonstrate the true status of these specialties. In clinical psychology, there is concern that the number of accessions into the Army is declining which could cause a future shortage. The Clinical Psychology Internship Program (CPIP) is the prime means for recruiting this specialty. Each year, spaces for 16 interns are made available. Traditionally, the Army has attracted a sufficient number of applicants to fill this program. However, the number of applicants has declined to the point where there will only be 13 interns starting in fiscal year 1989. The number of applicants may be due to an increase in civilian internship programs in recent years. This is an area of concern and efforts are under way to improve recruitment and retention. The personnel status of social workers is currently in a favorable posture. The Army Medical Department will remain vigilant toward monitoring the status of this specialty over time. While the status of psychiatric nurses appears to be short, the Army Nurse Corps does not experience a shortage in this area because of dual preparation (secondary specialty) and on the job training programs.

There has been increased emphasis placed upon recruiting these specialists. The number of medical recruiters has been increased, advertising in the psychology journals has been initiated, and increased missions for recruiting social workers and clinical psychologists are anticipated to begin in fiscal year 1989. Efforts are underway to improve retention of clinical psychologists by improving their practice patterns. The Army Medical Department Professional Short Course Program provides biennial courses for Clinical Psychologists (Army Clinical Psychology Course). Social Workers (Social Work Practice Course) and Psychiatric Nurses (Psychiatric Mental Health Nursing Course). These courses are funded by the Office of the Surgeon General and afford officers in these specialties the opportunity to augment their proficiency. Additionally, these officers are provided the opportunity to attend a Continuing Health Education course, seminar, or conference each year subject to the availability of funds. These two programs are designed to maintain the professional competence of each specialty at the highest level. There have been no efforts taken within the Army Medical Department to increase the promotion rates of Clinical Psychologists, Social Workers, or Psychiatric Nurses. The promotion rates for these specialties are consistent with or exceed the rates of other specialties in their competitive categories. For example, the three year average for promotion to Colonel and Lieutenant Colonel in the area of Clinical Psychology is actually above the rate for the balance of the Medical Service Corps, the competitive category to which this specialty belongs. These three year rates are as follows:

[In percent]

	Clinical psychology	Total MSC
Promotion to:		
Colonel	51	29
Lieutenant Colonel	55	41
Major	48	54

In the Clinical Psychology area their sphere of practice has recently been expanded to include approving physical profiles for 30 day periods, serving on various boards such as competency and sanity boards, and completing the psychological assessment on physical examinations. In the areas of Social Work and Psychiatric Nursing, the current roles defined for these specialties adequately utilize their education and training.

PSYCHIATRIC NURSES

Senator **Inouye**. General Chesney, previous surveys have suggested certain morale problems among military nonphysician mental health care providers such as clinical psychologists, social workers, and psychiatric nurses?

General **Chesney**. We have never had a problem recruiting psychiatric nurses. Currently all unit manning document authorizations are filled for psychiatric nurses. It is anticipated that any normal attrition can be replaced through recruiting. As with other specialties, we experience shortages from time to time as a result of an inability to recruit or when there is a downturn in morale. Currently, neither situation exists.

Senator **Inouye**. Are there openings in these specialties (Clinical Psychology and Social Work) that are unfilled?

General **Chesney**. As of April 1988, we were slightly overstaffed in social workers and essentially fully staffed in clinical psychologists. We attribute the significant improvement in clinical psychologist staffing to excellent recruiting efforts to obtain fully-qualified individuals from the civil sector; this success coupled with our having increased our clinical psychology internship program from 18 to 23 spaces (FY88) should keep our authorizations filled with quality professionals for the foreseeable future. We have also been able to maintain and provide some nontraditional opportunities for both social workers and clinical psychologists that directly benefit the Air Force (i.e., Family Support Center Directors, staff officer in the Office of Family Support, instructors in Psychological Operations Course, Human Factors positions, OSI, etc.)

BATTLE FATIGUE CASUALTIES (MENTAL HEALTH CARE)

Senator **Inouye**. Dr. Mayer, manpower in war has been diminished due to battle fatigue casualties. Future wars will likely be characterized by particularly high rates of lethality and this phenomenon may be expected to further exacerbate the problem. Protracted low intensity combat will also probably result in large numbers of personnel being lost to the Commander due to battle fatigue. Are existing authorizations for mental health providers adequate to cope with battle fatigue? Since it appears that the military maintains insufficient in-house psychiatric resources to handle even the peacetime requirements for emotional problems of CHAMPUS and active duty beneficiaries, how can it handle the additional workload generated by war?

Dr. **Mayer**. Based on our experience in Viet Nam, we anticipate that very few personnel will be lost due to battle fatigue in a low intensity conflict. Therefore, I would anticipate that the scope of low intensity combat operations, even protracted ones, would not overtax our mental health capabilities. In the event of a full scale war, medical treatment facilities within the Continental United States (CONUS) would greatly limit or totally eliminate health care provided to dependents and retirees depending on the prevailing circumstances. That care is now authorized on a "space available" basis only, and would further be curtailed by the limited number of mental health specialists available in CONUS. As with all other health care disciplines, the services would rely on the Reserve components to augment the active duty peacetime force to help meet the mental health demands of military personnel in wartime.

MENTAL HEALTH CONSULTATION TEAMS

Senator **Inouye**. Have the military departments established highly mobile, immediately available mental health consultation teams to respond to large scale disasters involving military members or their families? (Recent examples might be the Grandor air crash and the attack on the U.S.S. *Stark*.)

Dr. **Mayer**. Yes. Rapidly deployable mental health crisis response teams are inplace in overseas theaters of operations and the Continental United States. These teams provide psychological and mental health services to active duty members and dependents during both large and small scale disasters. The recent tragedy aboard the U.S.S. *Stark* was supported through the joint deployment of mental health professionals to the scene where psychological support and intervention was provided to crews of fleet units. Additionally, a Special Psychiatric Rapid Intervention Team was deployed to U.S.S. *Stark's* homeport, Mayport, Florida, to augment and support local resources with 24-hour availability of mental health services. Among the many support services provided, these teams provided individual, small and large group therapy and informational sessions; provided recommendations to commanding officers on how to deal with developing morale problems; and, established support systems for crew members requiring follow-up care.

[Whereupon, at 4:15 p.m., the subcommittee was adjourned.]

INDEX

A

Page

Active component accessions 36, 130
Active duty dependent's monthly premium rates 599
Active force 210
  Strength levels 65
Active/Reserve mix 16, 85, 489
AIDS diagnosis 591
Air Force Reserve 462
Air Force ROTC 76
Air National Guard 396
Aircraft system, T-45 trainer 199
Airline hiring trends 164
All-Volunteer Force 21, 264
Antidrug program, DOD 24
Appropriations 419
Appropriated fund [APF] support to morale, welfare, and recreation [MWR] 247
Army National Guard accessions 37
Army Reserve 457
  Retention in the 491
Attrition rates, improving 198
Aviation career incentive pay [ACIP] 271, 488
Aviation officer continuation pay [AOCP] 165
Aviation pilot training shortfall 199

B

Bachelor quarters 170
Battle fatigue casulaties (mental health care) 621
Bonus system, Navy 270
  Reenlistment 62, 116
  Selected enlistment/enlistment 27, 62
Budget 393
  Fiscal year 1989 426
  Impact of fiscal year 1988 425
  Request, amended, fiscal year 1989 300
  Submission, amended, fiscal year 1989 409

C

Campus participation, tuition assistance, Navy 200
Catchment area management 613, 614
  Demonstration project 545
CHAMPUS:
  Money 589
  Reform initiative 470, 509, 544, 576, 614
Child Care Center 171
Civilian:
  Force initiatives 231
  Manpower 230
  Pay 230
  Personnel management 30

Page
Civilian—Continued
  Strength 181
Coast Guard Reserve 323, 439, 466
Compensation 134, 188, 224
  Issues 244
  Programs 121
Compensation, recruiting and retention 25
Commissaries and exchanges 281
Commissary privatization, a demoralizing idea 448
Comprehensive data management system 618
Contracting 234
Conventional force structure, existing 488
Cost-sharing CHAMPUS system 609
Counseling program, Air Force 292
Currency fluctuation solution 483

D

Data management 577
DEERS pre-enrollment 319
Defense Agency manpower 19, 85
Defense budget authority, real growth 452
Development programs, professional 337
Direct care system 611
DOD:
  Directive 86
  Manpower Requirements Report, fiscal year 1989 252
DODDs school 286
DOPMA accountable officers in the O–6 grade, fiscal year 1987 258
Draft system 266
Drug and alcohol:
  Abuse control program 250
  Screening, recruit applicant 157
Drug screening, pre-accession 107

E

Education issues 199
Education and research 541
Employer support 326
End strength 93
  Request 171
Enlistment:
  Bonus program 161
  Involuntary separations 78
  Personnel, subsistence of 207
  Promotions 229
Equal opportunity 194
  Issues 318
Equal opportunity and treatment [EOT] 250
Equipment 387
European in-theater treatment capability 603
European troop strength [ETS] 173, 240

F

Facilities 389
Family:
  Housing data 170
  Policy issues 321
  Programs 221
  Support 31
    Centers 246
    Programs 192
Family support, education and safety, office of 474
Flag and general officers 19, 490
Flying units 397

Page

Force:
  Cuts ... 252
  Management ... 21
  Quality of the ... 129
  Sizing ... 14
  Structure changes ... 90
  Structure, reduced ... 88
  Structuring the ... 227
FRA's revolutionary health care plan: "Supercare" ... 595
Frigate retirement ... 436
Frocking ... 69
  Field grade officer ... 84
  General/flag officer ... 84
  Of General officers ... 79
Funding comparison, fiscal years 1987, 1988, 1989 ... 394

G

General and flag officers ... 19, 490
  Strengths ... 70, 81
GI bill ... 470
  For the Selected Reserve, Montgomery ... 315
  Montgomery ... 112, 247
Graduate medical eduction ... 609
Guard:
  Equipping the ... 339
  Manning the ... 336
  Readying/mobilizing ... 346
  Training the ... 341

H

Hay study ... 263
Health care:
  Finder ... 522
  System, composite ... 518
Health professions scholarship program, Armed Forces ... 531
Health promotion ... 527
Hospital construction programs, overseas ... 548
Household goods weight allowances ... 91, 486
  Increases ... 190
Housing:
  Affordable ... 446
  Navy ... 169
Housing allowances:
  Adequacy of ... 481
  Married service couple ... 189
  Restoration of ... 481
Human immunodeficiency virus [HIV] policy ... 194
Human resources ... 191

I

Individual Ready Reserve [IRR] ... 308, 384
Incentive special pay ... 517
Incentives and resources ... 134
Indiscipline in the Army ... 39
Information resources management ... 201
Intermediate nuclear force [INF] treaty/ground launched cruise missile [GLCM] drawdown ... 243

J

Joint officer management ... 22
Job performance measurement project ... 290

L

Leadership issues ... 248

Page

- Legislative proposal [ROPMA] ... 328
- Literacy level:
  - Of military personnel ... 289
  - Of new recruits ... 291

M

- Management, transition ... 139
- Manning, levels of ... 572
- Manpower:
  - Civilian ... 181
  - Requirements ... 1, 14
  - Staffing and career development ... 539
- Manpower and force structure, program changes ... 412
- Manpower, personnel, and training [MPT] ... 242
- Marine Corps Reserve ... 378
  - Aviation structure ... 381
  - Full-time support ... 382
  - Ground structure ... 380
  - Individual mobilization augmentees ... 384
  - Mobilization ... 217
  - Readiness of ... 439
  - Selected ... 379
  - Selected augmentation units ... 383
- Marines:
  - Enlisted ... 210
  - Women ... 215
- Medical:
  - Care ... 222, 603, 595
    - System ... 501
  - Clinics ... 606
  - Coverage, Reserve ... 468
  - Facilities ... 527
    - Management and utilization ... 610
  - Growth, fiscal year 1988 ... 150
  - Health care providers, nonphysician ... 619
  - Health consultation teams ... 621
  - Manpower ... 514, 604, 605
  - Manpower in the Reserves ... 578
  - Personnel, recruiting ... 59
  - Readiness ... 414, 531, 549
  - Readiness strategic plan ... 556
  - Recruiting ... 156
  - Recruiting budget ... 587
  - Shortfalls ... 118, 469
- Medicine:
  - Navy, overview of ... 535
  - Positions, physicians in executive ... 543
- Military:
  - Health care ... 612
  - Manpower adjustments ... 227
  - Retirement reform act ... 443
- Military/civilian mix ... 15
- Military compensation ... 445, 593
- Military compensation and military retirement, 6th quadrennial review of ... 471
- Military pay ... 25, 49, 122, 244
  - Eight years of deteriorization ... 451
  - Gap ... 25
- Milcon ... 169
- Milcon and maintenance and repair of real property ... 198
- MILPERS funding problem ... 482
- Mission support units, Air National Guad ... 399
- Missions, assignment of ... 430
- Missions to Reserve forces, Army ... 436
- Morale, welfare, recreation [MWR] programs ... 23, 168, 221, 278
  - 4-category ... 282
  - Army ... 477

Page

- Mobilization:
  - Readiness improvements 367
  - Requirements 422
- Model school concept 197
- Modernization 385
- Multi-mission force 420

N

- National Guard:
  - Accessions 131
  - Budget 350
  - Enlisted management program 336
  - Equipment 324, 332
  - Equipping the 339
  - Facilities 348
  - Manning the 336
  - Military construction 351
  - Missions:
    - State 330, 335
    - Federal 330, 335
  - Needs 333
  - Officer management program 336
  - Operation and maintenance 350
  - Organizing the 335
  - Readying and mobilizing 346
  - Safety program 349
  - Training the 342
- National Guard and Reserve:
  - Equipment 324
  - Facilities 326
  - Retention 88
- National Guard and Air Force Reserve 272
- Naval Air Reserve 365
- Naval and Marine Corps Reserve 464
- Naval hospital, Philadelphia 548
- Naval Reserve:
  - Force ships 363
  - Funding request 370
- Naval Surface Reserve Force, fiscal year 1989 364
- NAVCARE clinics 191
- Navigation retention, Air Force 487
- Navy:
  - Military personnel [MPN] appropriation request 204
  - Ship and squadron growth 171
- Nuclear officer:
  - Incentive pay 166
  - Shortages 29, 89, 117, 165, 480, 484

O

- Off-base rental indemnity program 170
- Officer(s) 213
  - Accessions 228
  - Cut issues 251, 568
  - End strength 147
  - Management, joint 499
  - Manning in office of JCS 261
  - Recruiting results 155
  - Reduction and staffing 530
  - Reductions 18, 42, 86, 497
    - Air Force 254
    - Effects of 147
  - Strength reductions 54, 227
  - Shore requirements 183
  - Trends 162
- Operation and maintenance, Navy Reserve 372
- Operational achievements, Air National Guard 417

Page

- Optometric care 616
- Overseas station allowance 29, 124, 245

P

- Pay:
  - Comparison study 189
  - Raise 188, 275, 483, 484, 499
  - Raise reallocation 477
  - Incentive special 529
- Pay and allowances:
  - Of enlisted personnel 206
  - Of officers 205
- Permanent change of station [PCS] 46, 125, 219
  - Civilian moving expense 26
  - Expenses, out of pocket 482
  - Management 248
  - Moves 207
  - Program 166
  - Reimbursements 248, 481
  - Trauma 450
- Personnel 413
  - Concept III [PC–III] 234
  - Issues, general 467
  - Loss rates of 491
  - Readiness 152, 153
  - System, alternative 232
- Physician skills enhancement 516
- Physicians, civilian, on contract, cost of 588
- Pilot:
  - Additional duties 487
  - Crossflow 487
  - Manning 492
  - Only career 273
  - Training costs 53
  - Retention 28, 92, 116, 436, 485, 486, 498
    - Marine Corps 274
  - Retention/shortages 163
- PRIMUS:
  - Clinics 523
  - User fees for 608
- PRIMUS and NAVCARE clinics 606, 607, 608
- Procurement file, PMC 388
- Productivity 17
  - Initiatives 233
- Promotions:
  - Enlisted 91, 485
  - Timing and opportunities 259
- Psychiatric nurses 620

Q

- Quality assurance 546
- Quality of the force 36
- Quality of life [QOL] 44, 188, 221

R

- Readiness 406
- Real time automated identification sysem 320
- Recall exercises 414
- Recruit:
  - Quality 105
  - Quality and job performance, linking 289
  - Quality, individual performance, and readiness 107
- Recruiting 104, 132, 154, 223, 235, 286, 337
  - Costs, Reserve 586
  - Enlisted 236

Page

- Recruiting —Continued
  - Medical 156
  - Objectives 109
  - Officer 236
- Recruiting and advertising resources 119
- Recruiting and retention 414
  - Resources, fiscal year 1989 119
  - Recruiting, retention, and compensation 95
- Reorganization Act:
  - Effects of 72
  - Of 1986, DOD 242
- Requirements determination/validation 183
- Research and development 202
- Reserve(s) 179
  - Compensation and benefits 444
  - Medical coverage 468
  - Personnel, Navy [RPN] 371
  - Roles 376
- Reserve component:
  - Family identification card 320
  - Growth, analysis of 301
  - Medical readiness 321
- Reserve Force 240
  - End strength 179
- Reserve Officer Personnel Management Act [DOPMA] 467
- Retention 113, 137, 159, 237
  - Of jet qualified Army aviators 274
- Retention and the Selective Reenlistment Bonus [SRB] 161
- Retirement transition counseling program 571
  - Air Force 493, 494
- ROTC:
  - Air Force 76
  - Army 77

S

- School, Bechtel elementary 285
- Schools overseas 284
- Sea College program, Navy 157
- Selected Reserve:
  - End strength 180, 305, 357
  - Personnel strength 302
  - Recruiting 311
  - Retention 317
  - Women in the 319
- Selective reenlistment bonus [SRB] program 246
- Semi-hollow units 66
- Service counseling program 494
- Ship delivery delays 172
- Ship/squadron manpower document currency validation 187
- Skills enhancement 604
- Spouse employment assistance program, Navy 193
- Spouses, duties of 86
- State missions 490
- Strength management, average 172
- Support:
  - Issues 201
  - Personnel, full-time 306
  - Programs, full-time 338
- Survivor benefit plan, Reserve component 472

T

- Technician program, dual status 440
- Technicians:
  - Dual status 476
  - Right to appeal 443
- Technology challenge 196

Page

Title IV 174
Total Force 210
  Concept 427
  Inititives 66
  Management 171
  Mix 20
Training 241
  Issues 196
  Management of 198
  Programs, other services 496
Training and education 196
Training and readiness 390
Training, exercises, and deployments 402
Tuition assistance program 475

U

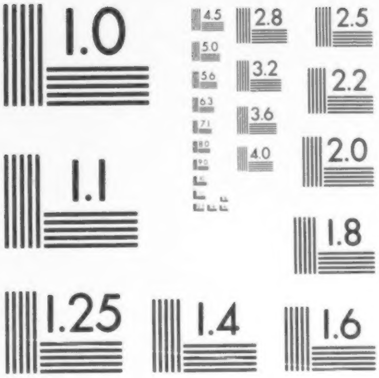
Uniformed services treatment facilities 590
User fees for PRIMUS 608

V

V–80 centralized computer system 578
VA:
  Decentralized computer system 618
  Sharing 523
Vander Schaff Report, release of to committee 262
Variable housing allowance [VHA] 26, 123, 244
Volunteer:
  Force, reliance of 102
  Service, long-term reliance 499

W

Women in the military 30, 74
  Role of 75
  In the Air Force 239
  In the Navy 176
  In the Selected Reserve 319
Women pilots 75


1.0
4.5
5.0
5.6
6.3
7.1
8.0
2.8
3.2
3.6
4.0
2.5
2.2
2.0
1.1
1.8
1.25
1.4
1.6

PHOTOGRAPHIC SCIENCES CORPORATION
770 BASKET ROAD
P.O. BOX 338
WEBSTER, NEW YORK 14580
(716) 265-1600

20:1

Compilation copyright © 1989 Congressional Information Service.
All rights reserved.